



Legal Document

Superior Court of California, County of San Mateo
Case No. CIV484400
Martin Eberhard v. Elon Musk et al

Document 1



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Attorneys for Plaintiff MARTIN EBERHARD

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF SAN MATEO**

MARTIN EBERHARD,

Plaintiff,

vs.

ELON MUSK; TESLA MOTORS, INC.;
and DOES 1-20, inclusive,

Defendants.

Civil Case No.

CIV 484400

COMPLAINT OF MARTIN EBERHARD

1. Libel;
2. Slander;
3. Injunctive Relief;
4. Breach of Contract;
5. Specific Performance of Contract;
6. Declaratory Relief;
7. Failure to Pay Due and Earned Wages;
8. Penalties for Failure to Pay Wages;
9. Failure to Provide Lawful Wage Statements;
10. Conversion; and
11. Negligence (including Negligent Infliction of Emotional Distress).

Plaintiff MARTIN EBERHARD ("Eberhard") alleges, as follows:

I. INTRODUCTION

1. Eberhard is a technological entrepreneur who has spent his life studying and creating innovative technology to improve human society and the environment. In January 2002, Eberhard, along with Marc Tarpenning ("Tarpenning"), founded Tesla Motors with the goal of reinventing the electric car and transforming traditional car manufacturing into a clean technology industry. Eberhard named the company — which was formally incorporated in July 2003 and is a defendant herein — TESLA MOTORS, INC. ("Tesla Motors"), after Nikola Tesla, one of the most important scientists and innovators of the modern age, known for his

1 revolutionary inventions in the area of electrical engineering. In the spirit of such
2 revolutionary innovation, Eberhard's vision for Tesla Motors was to create a high performance
3 vehicle that would achieve the longest driving range of any other production electric car by at
4 least a factor of two.

5 2. Eberhard shepherded Tesla Motors from its beginnings as a company of two
6 entrepreneurs to its status as the leading manufacturer of a fully electric production automobile.
7 The Tesla Roadster ("Roadster") is the embodiment of Eberhard's vision, with an
8 unsurpassable-driving range of 250 miles per charge — other available electric cars range at 50
9 miles per charge — and the power to accelerate from 0-60 miles per hour in under four
seconds.

10 3. Eberhard's work and vision attracted various investors, including Defendant
11 ELON MUSK ("Musk"), who invested in Tesla Motors and joined its Board of Directors
12 ("BOD") in April 2004. From that moment onward, Musk began a campaign to appropriate
13 control of Tesla Motors and of Eberhard's legacy as the company's founder and visionary.
14 After Musk committed a series of actions that not only resulted in the delay of the release of
15 the Roadster to the consumer market, but also compromised Tesla Motors' financial health,
Musk engineered the ouster of Eberhard from all roles at Tesla Motors in November 2007.

16 4. While being pushed out of the company he founded, Eberhard, in attempting to
17 act in the best interest of Tesla Motors, fully cooperated with in the transition process in the
18 hope that his vision for the company would be realized and his spirit would continue even in
19 his absence. Musk, however, was not yet satisfied with taking full control over Tesla Motors
20 — he next endeavored to take ownership of the *idea* behind Tesla Motors by denigrating
21 Eberhard's contributions. Acting on behalf of Tesla Motors, Musk began a pattern and
22 practice of defaming and disparaging Eberhard in various widely distributed media outlets,
23 including National Public Radio, USA Today, Newsweek and the New York Times, as well as
24 in car industry and clean technology publications, and to Tesla Motors' customers, employees
and investors.

25 5. Musk has set out to re-write history by falsely claiming that he was the founder
26 or the creator of Tesla Motors, by falsely accusing Eberhard of being principally responsible
27 for the Roadster's production delays and for Tesla Motors' financial instability, and by falsely
28 stating that Eberhard deceived and made misrepresentations to the BOD during his tenure at

1 Tesla Motors. These actions are remarkable, but they are also part of Musk's broader personal
2 history of misrepresentation — his educational degrees and professional affiliations being
3 symbolic samples — and of the extent of his involvement with other companies, such as
4 PayPal.

5 6. Amazingly, after Musk damaged Eberhard's reputation, Tesla Motors wrecked
6 Eberhard's own historic Roadster before it was delivered to him. Having invented the
7 Roadster, Eberhard entered into a written contract with Tesla Motors to receive the second
8 Roadster off of the production line — a car that is part of the Founder's Series Production and
9 is likely to worth well above the Tesla Roadster retail price and as high as several million
10 dollars because of its historical value. Tesla Motors, however, deliberately breached its
11 agreement with Eberhard and gave this one-of-a-kind car to a different customer and a friend
12 of Musk. When Tesla Motors finally did provide Eberhard with a Tesla Roadster — for which
13 he had paid \$100,000 two years prior — the car was delivered only after it had been smashed
14 into the back of a truck by a Tesla Motors employee during a so-called "endurance test"
15 conducted on the dense and public 101 Highway.

16 7. Besides defaming Eberhard and dispensing to him a wrecked Roadster needing
17 the replacement of no less than 75 parts, Tesla Motors refused to honor its obligations to the
18 company's founder and pay him his severance pay and stock options. By this conduct, Tesla
19 Motors breached written agreements it made with Eberhard upon his separation from the
20 company and violated various statutes that protect former employees from the wrongful
21 withholding of wages.

22 8. When Eberhard founded Tesla Motors he envisioned a company that would
23 behave responsibly and respectfully in bettering the world, the environment and the economy.
24 Yet Musk and Tesla Motors have defamed Eberhard and derelicted their contractual duties to
25 Tesla Motors' founder — actions unbefitting the company Eberhard envisioned and founded
26 seven years ago. In his zeal to appropriate Eberhard's legacy, Musk had instead sullied Tesla
27 Motors' integrity and blemished Tesla Motors' reputation and prosperity.

28 **II. PARTIES AND JURISDICTION**

9. Eberhard is an individual.

10. Musk was the chief financier and the President of Tesla Motors at all relevant

1 times herein, and is the current Chairman, Product Architect and Chief Executive Officer
2 (“CEO”) of the company.

3 11. Tesla Motors is a Delaware corporation, headquartered in San Mateo County,
4 and which has been authorized to and conducts business in the State of California at all
5 relevant times herein.

6 12. Defendants Does 1 through 20 are sued herein under fictitious names pursuant
7 to California Code of Civil Procedure Section 474; these defendants are in some way liable for
8 the damages sustained by Eberhard; Eberhard does not at this time know the true names or
9 capacities of said defendants, but pray that the same may be inserted herein when ascertained.

10 13. Jurisdiction and venue are proper because Eberhard’s claims and causes of
11 actions arose in this county and all parties reside or do business in this county.

12 14. The Court has jurisdiction over Eberhard’s claims for injunctive relief, breach
13 of contract and damages arising from Tesla Motor’s unlawful acts and practices, *inter alia*,
14 under California Civil Code (“Civil Code”) §§ 45(a) and 46, as well as California Labor Code
15 (“Labor Code”) §§ 201, 203 and 300.

16 **III. FACTUAL ALLEGATIONS**

17 **A. Eberhard Founded Tesla Motors and Invented the Tesla Roadster**

18 15. Eberhard is a technological entrepreneur. He has spent his life learning about
19 and creating technology to improve society and the environment.

20 16. In the 1990s Eberhard co-founded and founded two different technological
21 start-up companies: Network Computing Devices, Inc. and NuvoMedia.

22 17. After successfully facilitating the sale of NuvoMedia, Eberhard took on various
23 positions in the technology world, including Senior Vice President of TV Guide and Vice
24 President of Engineering at Packet Design.

25 18. Beginning in January 2002, inspired by ever rising gas prices and the increasing
26 threat of global warming, Eberhard formulated the idea for a fully-electric sport car. In
27 preparation for the project of creating an electric sport car company, Eberhard enlisted his long
28 time business partner Tarpenning to join the start up.

19. For 18 months, Eberhard extensively researched what caused electric vehicles to
fail in the past, he analyzed the benefits of electric cars over other alternative-fuel vehicles, and

1 drawing on his Master's degree in Electrical Engineering, studied how to properly build an
2 electric car. Eberhard, along with Tarpenning, then incorporated Tesla Motors in July 2003,
3 and from that moment Eberhard served as Tesla Motors' CEO.

4 20. Eberhard named Tesla Motors after Nikola Tesla, one of the most important
5 scientists and inventors of the modern age, known for his various inventions in the area of
6 electrical engineering.

7 21. Eberhard's vision for Tesla Motors was to reinvent the electric car by creating a
8 competitive high performance vehicle that would achieve the longest driving range of any
9 other production electric car by a factor of two. Tesla Motors' first endeavor, therefore, was to
10 create the Roadster.

11 22. Based on Eberhard's work, Lotus Motors ("Lotus") — one of the world's
12 premier sports carmakers — expressed interest in having the Roadster manufactured at the
13 Lotus factory in England. Subsequently, Eberhard, on behalf of Tesla Motors, and Lotus
14 entered into an agreement to have the Roadster manufactured and tested at the Lotus Factory.

15 23. As part of the arrangement with Lotus, it was agreed that the Roadster would be
16 tested on Lotus's private track and then shipped to California for sale. The primary factor in
17 deciding to manufacture and test the Tesla Roadster at Lotus was the safe and reliable
18 environment provided by the Lotus Factory. This would ensure the complete operation and
19 protection of the vehicle prior to distribution of the car to the actual purchaser of the vehicle.

20 24. Over the next several years, Eberhard oversaw the growth of Tesla Motors from
21 a team of two to a company of 280 people with the expertise necessary to run a mass-
22 production car company, spanning four countries. Eberhard had also led the development of
23 the Roadster from its inception and design through the safety and performance testing that
24 validated the Roadster's ability to achieve 0-60 miles per hour in less than four seconds, as
25 well as its break-through 250-mile range per charge.

26 **B. Musk Appropriated Control of Tesla Motors and Delayed the Roadster's** 27 **Production**

28 25. Eberhard and Tarpenning funded Tesla Motors from its inception in the
beginning of 2002 until April 2004.

1 26. In December 2003, Eberhard and Tarpenning began searching for venture
2 capitalists to help fund Tesla Motors and to get the Roadster into production. At this time,
3 Eberhard was the CEO while Tarpenning was the President, Vice President of Engineering and
4 interim Chief Financial Officer ("CFO") of Tesla Motors.

5 27. After meeting with several prospective venture capitalists in the winter and
6 spring of 2004, Eberhard and Tarpenning met with Musk, a former Silicon Valley entrepreneur
7 and CEO of Space Exploration Technologies Corporation — Space X, in April 2004 and
8 discussed the possibility of Musk investing in Tesla Motors.

9 28. Tesla Motors and Musk quickly reached an agreement upon which Musk would
10 lead the first group of outside investors in Tesla Motors. The first round of investors also
11 included Eberhard, Trepanning, two venture capitalist firms from Silicon Valley and some of
12 Eberhard's family members.

13 29. Subsequently, as Tesla Motors developed its BOD, it was determined that
14 Eberhard would maintain his position as CEO and also act as a member of the BOD.

15 30. Between 2004 and 2007, Eberhard and Tesla Motors worked nonstop to create,
16 design and produce the Roadster. Eberhard's goal for Tesla Motors was to revive the electric
17 car by creating a highly desirable production performance electric car, and to then leverage the
18 success of this car to mass-produce more affordable — but still highly sought-after — electric
19 cars for sale to the general public. Eberhard believed that Tesla Motors would build the
20 momentum needed to create cars in other markets by producing more Roadsters in the
21 beginning. With this momentum and expansion, Eberhard envisioned subsequent
22 improvements and developments with each new Tesla Motors vehicle model.

23 31. However, during the design process of the Roadster, Musk took a persistent and
24 distracting interest in random details of marginal importance, such as wasting valuable
25 resources and time on research on installing electronic door latches rather than conventional
26 door latches. The results were ever increasing delays in the Roadster's production, as well as
27 sky-rocketing expenses.

28 32. As a result of his increasing financial interest at Tesla Motors, Musk had, and
exercised, the privilege to appoint members to the BOD. In winter 2006 and spring 2007, the
BOD was comprised of seven members, three of whom served at the pleasure of Musk.

1 33. During this time, Eberhard bore significant financial duties for Tesla Motors in
2 addition to the duties of CEO. The fast growing venture required Eberhard to devote copious
3 amounts of time and energy to manage and oversee Tesla Motors' general operations, as well
4 as to maintain an active role in the creation of the Roadster. Given these circumstances and
5 concerned with the management of a growing company's complex finances, Eberhard believed
6 that it would be in Tesla Motors' best interest to employ a full time CFO and CEO with strong
7 management backgrounds to take over some of his duties and responsibilities.

8 34. Beginning in winter 2006, Eberhard and Tarpenning began to press the BOD for
9 approval to hire a full time CFO or Vice President of Finance to control the costs being spent
10 by Tesla Motors in the creation and production of the Roadster. Musk and the BOD, however,
11 continuously refused to authorize or approve any of the potential CFO candidates proposed by
12 Eberhard, despite the obvious and mounting need to appoint a CFO to maintain Tesla Motors'
13 financial health.

14 35. In December 2006, Eberhard also proposed to the BOD and to Musk that the
15 BOD search for a new CEO to replace him. Eberhard intended to take a different role in Tesla
16 Motors that would allow him more time to focus on the production of the Roadster as opposed
17 to the administration of the company.

18 36. Musk and the BOD agreed to Eberhard's proposal and commenced a formal
19 search for a CEO. The BOD created a CEO Search Committee for that purpose that was
20 comprised of three or four BOD members, including Eberhard, Musk and Ira Ehrenpreis.

21 37. In July 2007, after a year and a half of inexplicable delay, Musk and the BOD
22 finally agreed to hire Mike Taylor as Vice President of Finance. Ironically, Mr. Taylor's first
23 day at Tesla Motors, August 19, 2007, turned out to be Eberhard's last day as CEO of the
24 company under circumstances that he never foresaw.

25 38. On August 7, 2007, Eberhard was on a Tesla Motors business trip when he
26 received unexpected news from Musk. Musk informed Eberhard over the telephone that
27 Eberhard was to be replaced as CEO by Michael Marks ("Marks") as soon as Eberhard
28 returned from his trip. At that time, Marks had not been interviewed or approved for the CEO
position by either the BOD or the CEO Search Committee. Prior to this telephone call,
Eberhard had not received any notice that he would be expected to step down from the CEO
position at this time.

1 39. After receiving the telephone call from Musk, Eberhard contacted other BOD
2 members to determine what had transpired in his absence. None of these BOD members had
3 any knowledge that Eberhard was being asked to step down as the CEO of Tesla Motors at that
4 time. Nonetheless, within a few days, on August 11, 2007, the BOD — after meeting without
5 first notifying or including Eberhard — asked Eberhard to step down from his position as CEO
6 and to take on the position of President of Technology reporting to the new CEO, Marks.

7 40. Eberhard agreed to this proposal in order to ensure the continuity of the
8 company. At that time, Eberhard was making \$200,000 per year as the CEO of Tesla Motors.
9 He maintained this salary as he took on the position of President of Technology.

10 **C. Musk Ousted Eberhard from Tesla Motors**

11 41. On or about October 22, 2007, Marks informed Eberhard that Eberhard's
12 position with Tesla Motors was unsustainable due to Musk's persistent calls for Eberhard's
13 termination. With the BOD's prior approval, Marks offered Eberhard the option of resigning
14 from his position at Tesla Motors in exchange for a severance package in which Eberhard
15 would be paid six months salary and would continue to receive medical insurance benefits for
16 that period of time. Further, Marks also proposed that Tesla Motors would accelerate the
17 vesting of an option to purchase 62,500 shares of Tesla Motors' Common Stock granted to
18 Eberhard on January 3, 2007, as part of the separation package.

19 42. On or about November 27, 2007, Marks was let go from his position as CEO at
20 Tesla Motors and replaced by Ze'ev Drori ("Drori") on the same day. At that time, Musk also
21 approached Eberhard and informed him that he no longer wanted Eberhard to be a part of the
22 company, either as the President of Technology or as a member of the BOD. Musk threatened
23 to convert enough of his Preferred Stock Options to Common Stock Options to give himself
24 control over three more BOD seats in addition to the three seats he already controlled. This
25 would have resulted in Musk gaining full control of Tesla Motors by appointing seven out of
26 eight seats on the BOD.

27 43. Musk then proposed to honor Marks' previous proposal for Eberhard to be paid
28 six months salary, to receive payment of his medical benefits through May 31, 2009, and to
receive a substantial number of stock options in exchange for Eberhard's "resignation" of
employment.

1 44. Subsequently, on November 28, 2007, Musk formally offered Eberhard a
2 severance package that included \$100,000 (six months pay of his base salary) to be paid in six
3 equal monthly payments, reimbursement for the cost of Eberhard's medical benefits through
4 COBRA for six months, an option to purchase 250,000 shares of Tesla Motors' Common
5 Stock, and an appointment to Tesla Motors' Board of Advisors.

6 45. Musk insisted that Eberhard execute a written severance agreement before he
7 left the building that day. Musk again threatened to exercise his stock options to gain absolute
8 control over Tesla Motors. Thereafter, Eberhard was provided with two agreements drafted by
9 Tesla Motors (collectively, "Severance Agreements"), one agreement entitled Employment
10 Resignation Agreement ("Employment Resignation Agreement"), and the second agreement
11 entitled Resignation from Board of Directors ("BOD Resignation Agreement"). Musk gave
12 Eberhard the ultimatum to sign the agreements as they were or be terminated from any role at
13 Tesla Motors whatsoever. Attached hereto as Exhibit "1" is a true and correct copy of the
14 Employment Resignation Agreement. Attached hereto as Exhibit "2" is a true and correct copy
15 of the BOD Resignation Agreement.

16 46. Eberhard was not given the opportunity to consult with counsel or to analyze the
17 documents he was given. With virtually no choice, Eberhard signed the Severance Agreements
18 that same day. At the time he was asked to resign, Eberhard was never informed of any reason
19 for the resignation demand, other than Musk's preference for such.

20 47. Thereafter, in accordance with the Severance Agreements, Eberhard left Tesla
21 Motors on November 28, 2007.

22 48. The Severance Agreements contained a severance payment of \$100,000 to be
23 paid in 6 monthly payments, the grant of 250,000 stock options that would vest over the course
24 of 36 months, a mutual non-disparagement clause and a mutual release of all claims clause.

25 49. Surprisingly, the compensation offered to Eberhard for his resignation was
26 provided to him under the BOD Resignation Agreement for his purported service on the BOD.
27 However, Eberhard never received any payment for his service on the BOD prior to that, and
28 the payments agreed to were commensurate with Eberhard's salary as an employee of Tesla
Motors, not as a member of the BOD.

 50. The above points to the fact that Tesla Motors attempted to classify Eberhard's
severance package in this manner as an unlawful attempt to disguise wages as compensation

1 for Eberhard's resignation from the BOD. The only proper interpretation of the Severance
2 Agreements, therefore, supports that the compensation offered Eberhard constitutes wages
3 under California law.

4 51. The fact that Tesla Motors deducted from the first two payments made to
5 Eberhard under the Severance Agreements all taxes and payments that are customarily
6 deducted from employees pay checks, and the fact that Eberhard received pay stubs for those
7 two months, as well as a W-2 form that indicates that the severance payments were considered
8 as wages by Tesla Motors, also speaks to the notion that the compensation under the Severance
9 Agreement was wages. Attached hereto as Exhibit "3" is a true and correct copy of Eberhard's
10 pay stub for December 2007 and W-2 form for 2007 that both indicate that the severance
11 payments were characterized as wages by Tesla Motors.

12 52. Paragraph 4 of the BOD Resignation Agreement contains an Option Grant
13 provision that reads as follows:

14 Subject to approval of the Board of Directors, Tesla will grant to you a
15 nonqualified stock option to purchase 250,000 shares of Tesla common
16 stock. Such option grant will be pursuant to Tesla's Equity Incentive Plan
17 then in effect. Tesla will grant the option at 85% of the fair market value
18 for Tesla's common stock on the date of the grant. Your stock options
19 will vest commencing upon the grant date, but no later than January 1,
20 2008. 1/36th of the shares vest monthly thereafter over a three year vesting
21 term.

22 53. Eberhard is informed and believes that the BOD approved the granting of his
23 option to purchase 250,000 shares of Tesla Motors under the BOD Resignation Agreement.
24 Further, Eberhard is informed and believes that at the time of his forced resignation, Tesla
25 Motors had a custom and/or a practice of approving the grant of stock options provided to
26 employees in separation agreements executed with the company.

27 **D. Tesla Motors Breached Eberhard's Severance Agreements**

28 54. On or about January 10, 2008, Eberhard posted an article on his personal
weblog ("Blog"), teslafounders.com, regarding the large number of employees that Tesla
Motors terminated at that time, and included his personal opinion that these employees were
treated unfairly by Tesla Motors (the "Blog Post"). None of the statements made by Eberhard
in the Blog Post were false.

1 55. Thereafter, on or about January 14, 2008, Drori met with Eberhard and accused
2 Eberhard of violating the non-disparagement clause of the Severance Agreements.

3 56. Within 48 hours of this discussion, Eberhard removed the Blog Post, and
4 immediately posted a new blog and topic to change the subject of discussion on his Blog.
5 Eberhard's removal of the Blog post was based on his decision to avoid creating any additional
6 friction between himself and the company he founded. Eberhard believes that he did not
7 violate the Severance Agreements' non-disparagement clause, nor does he believe that he had
8 made any untrue statements about Tesla Motors or their actions in the Blog Post.

9 57. Subsequently, on January 28, 2008, Craig Harding ("Harding"), Tesla Motors'
10 General Counsel, informed Eberhard via email that Harding and Tesla Motors believed
11 Eberhard had violated the non-disparagement clause of the Severance Agreements. Harding
12 further informed Eberhard that due to this alleged breach of the Severance Agreements, Tesla
13 Motors will discontinue Eberhard's remaining severance payments, revoke Eberhard's right to
14 vest the 250,000 stock options, and dismiss Eberhard from his role as member of Tesla Motors'
15 Advisory Board.

16 58. Following Harding's email, Tesla Motors indeed ceased paying Eberhard his
17 severance payments in February 2008. Up until that time, Eberhard had received two
18 severance payments. Tesla Motors had taken all payroll deductions from these payments and
19 issued W-2 forms to Eberhard for these severance payments.

20 59. The BOD Resignation Agreement contains no restrictions or early termination
21 option of the severance payments, nor does it include any restrictions on the vesting of the
22 stock options, such as a vesting cliff or right to terminate. Further, the BOD Resignation
23 Agreement does not state that Eberhard's compensation and benefits under the agreement
24 would unilaterally be terminated upon his purported breach of the agreement. In its actions,
25 Tesla Motors unilaterally breached its obligations under the BOD Resignation Agreement and
26 violated California law that prohibit employer from deducting or discontinuing any wage
27 payments of an employee, severance payments included.

28 **E. Musk's Disparagement of Eberhard**

 60. Within the last months of his employment at Tesla Motors, but more so after his
departure from the company to the present, Musk has persistently and continuously made

1 defamatory, disparaging, negative and harmful statements about Eberhard within Tesla Motors
2 and in public forums such as electronic media, newspapers, websites and blogs.

3 61. Musk has made statements as if he was the “founder” or the “creator” of Tesla
4 Motors rather than Eberhard and Tarpenning, and that he was primarily responsible for the
5 creation of the Roadster. Statements identifying Musk as the founder and/or creator of Tesla
6 Motors were published and republished numerous times without Musk making any attempt to
7 correct those false statements.

8 62. Musk has perpetuated this untruth with full awareness regarding the value that
9 accompanies the title of founder of a startup that has a potential to become a successful large
10 company. In the 1990s Musk was involved in the creation and the management of PayPal, Inc.
11 Musk involuntarily separated from PayPal under a Separation Agreement and Mutual Release
12 that was executed on or about May 4, 2001 (“PayPal Separation Agreement”). This agreement
13 with PayPal contains a “Deletion of Reference to ‘Founders’” clause that reads as follows:

14 The Company [PayPal] acknowledges and agrees that Mr. Musk is a
15 founder of the Company and its predecessor X.com. The Company agrees
16 that...all references to “founders” of the Company will be removed from
17 the Company’s website and from the “about” section of all future
18 Company press releases. In addition, the Company shall refrain from
19 stating who the founders of the Company are or making statements quoted
20 in the press that undermine Mr. Musk’s status as a “founder” of X.com or
21 the Company when communicating with the media or other external third
22 parties.

23 A true and correct copy of the PayPal Separation Agreement is attached hereto as Exhibit “4.”

24 63. Eberhard is informed and believes that Musk negotiated and entered into the
25 PayPal Separation Agreement knowing that the status as founder of a well-known company is
26 a highly valuable asset, and he forced PayPal to recognize this status to his benefit. In contrast,
27 Musk has deliberately sought and is seeking to deprive Eberhard of the same benefit regarding
28 Tesla Motors, while appropriating it for himself.

64. Additionally, during the time period from the end of 2007 through the beginning
of 2008, Musk made false statements that Eberhard had been terminated from Tesla Motors
because of performance and management issues, despite the fact that Eberhard had in fact
resigned. In such statements Musk attributed Tesla Motors’ financial issues and the Roadster’s
production delays to Eberhard’s management as Tesla Motors’ CEO. Furthermore, during the
last months of Eberhard’s employment at Tesla Motors, Musk made public statements to

1 outside third-parties, as well as to Tesla Motors employees, customers and investors, that
2 falsely alleged that Eberhard had misled the BOD about the costs of the Roadster. Musk
3 continues to make such statements to this day.

4 **1. Musk Has Portrayed Himself as Tesla Motors' Founder**

5 65. Several news outlets, blogs and informatory websites named Musk as Tesla
6 Motors' founder and/or published Musk's assertions that he founded Tesla Motors. Neither
7 Tesla Motors nor Musk have made any effort to correct these statements. These statements
8 include, but are not limited to the following statements.

9 66. On or around January 4, 2007, Musk was interviewed by Wired Magazine.
10 Twenty-six seconds into the interview, in the introduction to the interview, the announcer
11 states that "[Musk] has created Tesla Motors and SpaceX." Musk did not seek to correct the
12 interviewer or properly credit Eberhard as founder of Tesla Motors.

13 67. On February 15, 2007, a blog on chrisworth.com, identified Musk as the
14 "founder of Tesla." A true and correct copy of this entry is attached hereto as Exhibit "5."

15 68. On May 22, 2007, a blog entry on mathoda.com referred to "[Tesla] founder
16 Elon Musk." A true and correct copy of this entry is attached hereto as Exhibit "6."

17 69. On July 26, 2007, a statement on thefastestautoparts.blogspot.com asserted that
18 "[Tesla] was founded by Elon Musk." A true and correct copy of this entry is attached hereto
19 as Exhibit "7."

20 70. In December 2007, inc.com referred to Tesla Motors as "[Elon Musk's]
21 compan[y]" and of the Tesla Roadster as "[Elon Musk's] car." A true and correct copy of
22 these statements is attached hereto as Exhibit "8."

23 71. An "Immigrant of the Week" award on December 3, 2007, on ilw.com refers to
24 Musk as "the founder of the electric car maker Tesla Motors." A true and correct copy of this
25 article is attached hereto as Exhibit "9."

26 72. A March 18, 2008, article on earth2tech.com refers to Musk as "Tesla Chairman
27 and Founder." A true and correct copy of this article is attached hereto as Exhibit "10."

28 73. An April 18, 2008, article on popularmechanics.com refers to "Tesla founder
Elon [Musk]." A true and correct copy of this article is attached hereto as Exhibit "11."

1 74. An April 19, 2008, article on patphelan.net refers to "Tesla founder Elon
2 [Musk]." A true and correct copy of this article is attached hereto as Exhibit "12."

3 75. A short biography of Musk published in May 2008 on the Lincoln Schatz'
4 website, www.lincolnschatz.com, Musk is referred to as being "behind the Tesla Roadster." A
5 true and correct copy of this biography is attached hereto as Exhibit "13."

6 76. In the blog, "Ankar's Musings," at ankjain.blogspot.com, a blogger identified as
7 Ankur Jain described Musk as "founder of Tesla Motors and SpaceX." A true and correct copy
8 of this article is attached hereto as Exhibit "14."

9 77. Six photographs of Musk posted on May 1, 2008, on the WireImage website are
10 coupled with captions identifying him as "Tesla Motors founder Elon Musk." A true and
11 correct copy of this posting is attached hereto as Exhibit "15."

12 78. A May 2, 2008, article on leftlanenews.com contains a quote from Musk, who is
13 identified therewith as "Tesla founder Elon Musk." A true and correct copy of this article is
14 attached hereto as Exhibit "16."

15 79. In a May 31, 2008, article on the Peak Energy website blog, at
16 peakenergy.blogspot.com, Musk is again identified as "Tesla Motors founder." A true and
17 correct copy of this article is attached hereto as Exhibit "17."

18 80. Three minutes and fifty one seconds into a June 17, 2008, videotaped interview
19 with website epicfu.com, Musk says, "The reason I founded Tesla was because I really believe
20 that the future of transportation should be electric..."

21 81. Musk also claimed in an interview with Ben Wattenberg on June 18, 2008,
22 given to tcsdaily.com that he is the "chairman and principal founder of Tesla Motors." This
23 statement was republished on or around June 2008 on the website for Ben Wattenberg's Think
24 Tank series on pbs.com. A true and correct copy of this interview is attached hereto as Exhibit
25 "18."

26 82. On June 23, 2008, in Part One of a three-part interview with Sam Abuelsamid
27 for the popular automotive weblog autobloggreen, published at autobloggreen.com, Musk
28 falsely claimed that when he first became involved with Eberhard and Tesla Motors, "zero was
done" on the "weak" Tesla business plan because "there wasn't any there there," implying that
Tesla Motors was not yet founded upon Musk's initial involvement because Eberhard's
business plan was not fully or properly formulated. In the same interview, Musk has falsely

1 claimed to have gotten involved with Tesla Motors as early as September 2003, exaggerated
2 his role in developing the Roadster, as well as his percentage of investment in Tesla Motors,
3 and falsely claimed that when he first got involved with Tesla Motors Eberhard "didn't even
4 have an office." A true and correct copy of this interview is attached hereto as Exhibit "19."

5 83. On August 13, 2008, American University Radio ("WAMU"), the Washington
6 D.C. National Public Radio ("NPR") affiliate, broadcasted a show on electric vehicles. Musk
7 was a guest on the show and was introduced as the "founder and chair" of Tesla Motors. Musk
8 did not attempt to correct this false statement although he was fully aware that it was made. A
9 description of the show and its guests was published on the WAMU website at
10 <http://wamu.org/programs/dr/08/08/14.php>. A true and correct copy of this description is
11 attached hereto as Exhibit "20."

12 84. On or about October 2008, Musk made false statements claiming to have gotten
13 involved with Tesla Motors in October 2003, and claiming that he had formed the idea for
14 Tesla Motors before meeting Eberhard and Tarpenning. In fact, Musk did not get involved
15 with Tesla Motors until April 2004, well after the company had been conceived, formed and
16 incorporated by Eberhard.

17 85. An article posted on January 13, 2009 refers to Musk as "Tesla founder." A
18 true and correct copy of this article is attached hereto as Exhibit "21."

19 86. A March 30, 2009, article on cnn.com referred to Tesla Motors as having been
20 "Started in 2003 and bankrolled by PayPal millionaire Elon Musk." A true and correct copy of
21 this article is attached hereto as Exhibit "22."

22 87. In the "Team" section of Tesla Motors' website, posted up until May
23 27, 2009, Musk's profile describes him as having been "involved in key product decisions
24 since the start of Tesla Motors." This page is currently available at
25 http://www.teslamotors.com/media/company_team.php. A true and correct copy of this profile
26 is attached hereto as Exhibit "23."

27 88. The above statements, made by Musk were also made on behalf of Tesla Motors
28 and were republished by numerous other news outlets across the world.

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1 **2. Musk Has Disparaged Eberhard's Professional Reputation**

2 89. Musk has continuously made negative and derogatory statements about
3 Eberhard in public forums since late 2007. These statements include, but are not limited to the
4 following statements.

5 90. During the period from the end of 2007 through the beginning of 2008, Musk
6 made statements in emails to Tesla Motors employees, customers and investors claiming that
7 Eberhard had been terminated because of performance and management issues.

8 91. On or about January 12, 2008, Musk made a public disparaging and/or
9 defamatory statement in a written letter sent to all Tesla Motors employees, customers and
10 investors stating that the "changes" made in the company around that time were to ensure
11 "accountability" and providing that any delays in the production of the Tesla Roadster were
12 due to those employees who were being held "accountable" by being terminated. A true and
correct copy of this letter is attached hereto as Exhibit "24."

13 92. On March 3, 2008, in an article posted on usatoday.com, Musk made a public
14 disparaging and/or defamatory statement by claiming that "the company under Eberhard was
15 racked by spiraling development costs." A true and correct copy of this article is attached
16 hereto as Exhibit "25."

17 93. In the above June 23, 2008, interview with Sam Abuelsamid for autobloggreen
18 (see Exhibit 19 above), Musk also claimed that he had spent 40-50 hours per week at Tesla
19 Motors over the last year, "trying to correct a lot of problems," alluding that the problems were
created by Eberhard.

20 94. In a Fortune Magazine article, printed and posted online on or about July 9,
21 2008, Musk made several disparaging remarks about Eberhard, including the assertion that
22 Musk was "too busy [to talk to the press about the management change at Tesla Motors
23 because he was] trying to fix the fucking mess he [Eberhard] left." The article also quoted
24 Musk as saying he has "never met someone who is as capable of creating such a disinformation
25 campaign as Martin Eberhard." A true and correct copy of this article is attached hereto as
Exhibit "26."

26 95. In an interview given to the New York Times and published on the New York
27 Times website, newyorktime.com, Musk made disparaging and/or defamatory statements about
28 Eberhard, including, blaming the bulk of Tesla's problems on Eberhard and stating "It's taken

1 us about a year to correct major error, [caused by Martin]." A true and correct copy of this
2 article is attached hereto as Exhibit "27."

3 96. In an interview given to the thedeal.com, published on or about November 6,
4 2008, Musk made disparaging and/or defamatory statements about Eberhard, alleging that
5 Eberhard "had misled us about the cost of the car and the time frame of when it could go into
6 production." This statement was republished on Tesla Motors' website at
7 <http://www.teslamotorsclub.com/news-articles-events/1833-elon-musk-q-deal.html> on or about
8 November 6, 2008. A true and correct copy of this interview is attached hereto as Exhibit
9 "28."

10 97. Musk gave another interview to valleywag.com that was published on or about
11 November 12, 2008, wherein he made further public disparaging, false and defamatory
12 statements that Eberhard is the cause of all of Tesla Motors' current financial issues and that
13 Eberhard misled investors regarding the costs for the Tesla Roadster by telling them the wrong
14 costs. A true and correct copy of this interview is attached hereto as Exhibit "29."

15 98. In the November 24, 2008 issue of Newsweek, Musk is quoted as saying,
16 "Martin [Eberhard] is the worst individual I've ever had the displeasure of working with." A
17 true and correct copy of this article is attached hereto as Exhibit "30."

18 99. A January 22, 2009 article published on leftlanenews.com described an email
19 Musk sent to customers that stated that a 2007 audit made by investors revealed that the
20 Roadster was to cost \$140,000 to produce as planned at that time, and that this audit was
21 associated with Eberhard's ouster. A true and correct copy of this article is attached hereto as
22 Exhibit "31."

23 100. Musk made statements to other employees and investors of Tesla Motors both
24 during the last months of Eberhard's employment at Tesla Motors and for several months after
25 he left the company, alleging that Eberhard had misled the BOD about the costs of the Tesla
26 Roadster.

27 101. The above statements, made by Musk were also made on behalf of Tesla Motors
28 and were republished by numerous other news outlets across the country.

102. As a result of the statements made by Musk, Eberhard suffered, and continues to
suffer, damages, which include damages resulting from the inability to obtain employment for
over a year. Additionally, due to Musk's statements that Eberhard lied to the BOD regarding

1 Tesla Motors' finances, Eberhard faces and will face significant difficulties raising money for a
2 new startup company in the future.

3 **F. Musk's History of Misrepresentation of Achievements and Credentials**

4 103. Musk's false and public claims that he is the founder of Tesla Motors are part of
5 a broader pattern and practice in which Musk has engaged in misrepresenting his achievements
6 and credentials.

7
8 **1. Musk Misrepresents his Affiliation with Stanford University**

9 104. In several national publications, Musk has allegedly misrepresented his
10 affiliation with Stanford University, claiming to have "dropped out" of a Ph.D. program at that
11 university when in fact he was never enrolled at Stanford. These instances of
12 misrepresentation include, but are not limited to the following statements.

13 105. An August 17, 1999, article about Musk on salon.com states that, "He [Musk]
14 went on to a graduate program in physics at Stanford, in which he stayed exactly two days
15 before dropping out." A true and correct copy of this article is attached hereto as Exhibit "32."

16 106. An April 15, 2003 article on usatoday.com states that Musk "dropped out of
17 Stanford University's doctoral program in physics." A true and correct copy of this article is
18 attached hereto as Exhibit "33."

19 107. A February 15, 2008 article on CNET News reported that Musk dropped out of
20 "a graduate program in physics at Stanford University." A true and correct copy of this article
21 is attached hereto as Exhibit "34."

22 108. A June 2008 profile of Musk on howstuffworks.com states that Musk "was set
23 up to begin a graduate program at Stanford in 1995. But he chose to drop out of the Stanford
24 program before classes began." A true and correct copy of this profile is attached hereto as
25 Exhibit "35."

26 109. An article and profile about Musk on the Wired Entrepreneur, posted in or about
27 May 2009, states that Musk "dropped out of Stanford University" 1995. A true and correct
28 copy of this profile is attached hereto as Exhibit "36."

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1 **2. Musk Misrepresents his Degree from the University of Pennsylvania**

2 110. Musk has falsely claimed to have a degree in Physics from the University of
3 Pennsylvania that he obtained in 1995, when he in fact has no such degree and the only degree
4 he holds was obtained later than that. Upon information and belief, Musk's only known
5 undergraduate degree is a Bachelor of Science in Economics, obtained from the University of
6 Pennsylvania in May 1997. Musk's misrepresentations regarding his undergraduate degrees
7 include, but are not limited to the following statements.

8 111. The above-described August 17, 1999, article on salon.com (see Exhibit 32
9 above) states that Musk "stayed on another year [at the University of Pennsylvania] to finish a
10 second degree in physics."

11 112. The above-described April 15, 2003, usatoday.com article (see Exhibit 33
12 above) states that Musk earned an undergraduate degree in physics from the University of
13 Pennsylvania.

14 113. The above-described June 2008 profile of Musk on howstuffworks.com (see
15 Exhibit 35 above) states that Musk has degrees in both physics and business from the
16 University of Pennsylvania.

17 114. The above-described profile and article on the Wired Entrepreneur (see Exhibit
18 36 above) states that Musk "decided to stay in Pennsylvania for another year [1995-6] to
19 complete a second bachelor's degree in physics."

20 Musk has even misrepresented his educational background in statements made in formal public
21 filings. In various Securities Registration Statements filed for PayPal with the Securities and
22 Exchange Commission ("SEC"), Musk repeatedly represented himself as having received a
23 B.S. in Physics from the University of Pennsylvania and a B.S. in Economics from the
24 Wharton School of the University of Pennsylvania in 1995. A true and correct copy of SEC
25 Form S-1 filed on September 28, 2001, is attached hereto as Exhibit "37." A true and correct
26 copy of SEC Form S-1/A filed on February 7, 2002, is attached hereto as Exhibit "38." A true
27 and correct copy of SEC Form S-1 filed on June 12, 2002, is attached hereto as Exhibit "39."

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1 **G. Tesla Motors' Breach of Eberhard's Roadster Agreement**

2 115. On or about July 4, 2006, Eberhard purchased the rights to the second Roadster
3 in the Founder's Series Production, or in essence, the second production Tesla Roadster
4 ("Roadster Agreement") for the amount of \$100,000 that was wired to Tesla Motors on the day
5 the Roadster Agreement was executed. A true and correct copy of the Roadster Agreement is
6 attached hereto as Exhibit "40".

7 116. The value of the first production Roadsters cannot be understated. In the car
8 market, the first produced vehicles of a certain car model are highly sought after and could be
9 valued at several million dollars.¹ The very first car in production always carries the highest
10 value. The second car is less valuable than the first, but significantly more valuable than the
11 third, and so forth. Given the particular historic value of the Roadster — a revolutionary
12 electric sports car likely to change the future of automobile technology — a conservative
estimate of the second production Roadster's value is in the \$2-3 million range.

13 117. As its inventor and creator, Eberhard was originally supposed to receive the first
14 production Roadster. However, Musk, aware of the car's value, insisted on getting the first
15 production value. In compromise, Eberhard agreed that he would receive the historic second
16 production Roadster.

17 118. Despite the negative, disparaging, and blatant lies promulgated by Musk,
18 Eberhard's main focus after his resignation remained seeing the Roadster come to fruition. He
patiently waited as it was delayed again and again.

19 119. On January 23, 2008, Tesla Motors announced that the first Roadster production
20 was underway.

21 120. On or about February 9, 2008, Eberhard was informed by Tesla Motors' then
22 Senior Vice President Sales, Marketing & Service, Daryl Siry ("Siry"), that his Roadster would
23 be ready on March 17, 2008.

24 121. Eberhard learned, however, that in breach of its agreement with Eberhard, in
25 early February 2008, Tesla Motors had already built and sold the second — and maybe the
26 third and the fourth — production Roadster for a customer(s) prior to building Eberhard's
Roadster, which was supposed to be the second vehicle off the line. Tesla Motors sold the

27
28 ¹ For example, in a recent auction for first production Maserati MC12 Versione Corse —
another highly desirable sport car — early stage bids were already reaching \$2.25 million.

1 second production Roadster, intended for Eberhard, to a friend of Musk, Antonio Gracias, in
2 blatant breach of its written agreement with Eberhard.

3 122. Siry also informed Eberhard in the February 9, 2008, conversation that his
4 Roadster must undergo an "endurance test" before Eberhard was allowed to take possession of
5 it, and that the "endurance test" purportedly required the Roadster to log 100 miles on public
6 roadways according to Tesla Motors.

7 123. Eberhard later learned that by the time of production, Musk and Drori had
8 decided that instead of testing the Roadster on a protected track at the Lotus Factory and using
9 highly skilled test-drivers, Tesla Motors would have the Roadsters shipped to California and be
10 tested on public freeways by its untrained employees. This was not the procedure used while
11 Eberhard was still with Tesla Motors, as he believed it was better to test the Roadsters on
12 Lotus' production car test track by trained drivers, as opposed to the highly dense public
13 roadways and freeways of California.

14 124. Eberhard waited for his vehicle without receiving any notice as to when it
15 would actually be arriving until June 3, 2008. At that time, Eberhard learned that his car, now
16 three months overdue, had been crashed during the required "endurance test". Eberhard was
17 informed that Tesla Motors' test-driver had driven Eberhard's Roadster into the back of a
18 truck, almost completely totaling the vehicle, and that his Roadster required the replacement of
19 no less than 75 different parts in order for the car to be driven.

20 125. After discovering the destruction of his Roadster, Eberhard learned that the
21 individual who was hired by Tesla Motors to test drive his Roadster had previously crashed
22 another vehicle for Tesla Motors and had received a warning about his driving from Tesla
23 Motors.

24 126. As a result of Tesla Motors' actions, Eberhard received a Roadster that is worth
25 significantly less than the Roadster for which Eberhard contracted on July 4, 2006. This is
26 because the Roadster Eberhard received was not in fact number two in production as agreed
27 upon by the parties. Additionally, the Roadster Eberhard did receive was further devalued
28 because of the devastating crash caused by Tesla Motors' already-reprimanded driver, and
because Tesla Motors publicly announced the damage to Eberhard's car.

127. On July 19, 2008, Eberhard finally received the Roadster he had envisioned 6
years before.

1 128. However, Tesla Motors, however, has still not yet performed the drivetrain
2 upgrade to Eberhard's Roadster which was promised to Eberhard in writing at the time Tesla
3 Motors delivered his Roadster to him. This important upgrade involves replacement of the
4 car's battery, the motor, the transmission, and the power electronics. Tesla Motors is currently
5 in breach of written agreement to Eberhard regarding this upgrade.

6 129. Eberhard has been publicly defamed, forced to watch a company he founded
7 and created be controlled by the same people who have defamed him, seen his Roadster
8 destroyed and suffered damages as a result of the Defendants.

9 **FIRST CAUSE OF ACTION**
10 **Libel (including Libel *Per Se*)**
11 **in Violation of Civil Code §45a**
12 **[Asserted against all Defendants]**

13 130. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
14 reference.

15 131. Defendants made or conspired to make written false, defamatory and
16 unprivileged statements regarding the circumstances of Eberhard's status as founder and
17 creator of Tesla Motors, his alleged termination and the work product he created while
18 employed at Tesla Motors, and that Eberhard made misrepresentations to the BOD. These
19 statements were published in various sources, including, but not limited to usatoday.com,
20 Fortune Magazine, cnet.com, Newsweek, wamu.org, and in correspondence sent to all
21 employees, customers and investors of Tesla Motors. These statements are included, but were
22 not limited to the statements set forth in section III.E. above.

23 132. The substance of the Defendants' statements herein was either false, omitted
24 necessary qualifiers or was severely misleading.

25 133. At the time these statements were made, the Defendants knew or should have
26 known that they were not true.

27 134. The aforementioned statements were made of and concerning Eberhard, and
28 were so understood by those who saw and/or heard it in a way, which defamed Eberhard
because they implicated that Eberhard was not one of the founders of Tesla Motors, was
terminated for performance related issues, and that he made misrepresentations to the BOD,

 135. As a direct and proximate cause of the publication and the republication of these

1 false statements by the Defendants, Eberhard suffered damages, including but not limited to,
2 damage to his reputation, inability to find work in his field for over a year, creating difficulties
3 to form startups and raise capital, emotional distress and financial loss in an amount to be
4 proved at trial.

5 **SECOND CAUSE OF ACTION**
6 **Slander (including Slander *Per Se*)**
7 **in Violation of Civil Code §46**
8 **[Asserted against all Defendants]**

9 136. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
10 reference.

11 137. Defendants made or conspired to make oral false, defamatory and unprivileged
12 unprivileged statements regarding the circumstances of Eberhard's status as founder and
13 creator of Tesla Motors, his alleged termination and the work product he created while
14 employed at Tesla Motors, and that Eberhard made misrepresentations to the BOD. These
15 statements were published in various sources, including, but not limited to usatoday.com,
16 Fortune Magazine, cnet.com, Newsweek Magazine, wamu.org, and in correspondence sent to
17 all employees, customers and investors of Tesla Motors. These statements are included, but
18 were not limited to the statements set forth in section III.E. above.

19 138. The substance of the Defendants' statements herein was either false, omitted
20 necessary qualifiers or was severely misleading.

21 139. At the time these statements were made, the Defendants knew or should have
22 known that they were not true.

23 140. The aforementioned statements were made of and concerning Eberhard, and
24 were so understood by those who saw and/or heard it in a way, which defamed Eberhard
25 because they implicated that Eberhard was not one of the founders of Tesla Motors, was
26 terminated for performance related issues, and that he made misrepresentations to the BOD,

27 141. As a direct and proximate cause of the publication and the republication of these
28 false statements by the Defendants, Eberhard suffered damages, including but not limited to,
damage to his reputation, inability to find work in his field for over a year, creating difficulties
to form startups and raise capital, emotional distress and financial loss in an amount to be
proved at trial.

THIRD CAUSE OF ACTION
Injunctive Relief
[Asserted against all Defendants]

142. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by reference.

143. An actual controversy has arisen and now exists between Eberhard and Tesla Motors and Musk concerning statements made by Musk, acting on behalf of Tesla Motors, that 1) Musk is the founder or creator of Tesla Motors, 2) undermine the status of Eberhard or Tarpenning as the sole founders and creators of Tesla Motors, 3) Eberhard was principally responsible for the Roadster's production delays or Tesla Motors' financial instability, and 4) Eberhard deceived and made misrepresentations to the BOD during his tenure at Tesla Motors. These statements are included, but were not limited to the statements set forth in section III.E. above.

144. The Defendants have made the above statements repeatedly and continuously from a few months prior to Eberhard's separation from Tesla Motors until the very recent present. Eberhard therefore seeks the following injunctive relief concerning this controversy:

a. An injunction ordering Musk to cease and desist from making any statements to the effect that: 1) he is a founder or creator of Tesla Motors; 2) anyone other than Eberhard and Tarpenning are the founders or creators of Tesla Motors; 3) undermine the status of Eberhard or Tarpenning as the sole founders and creators of Tesla Motors; 4) Eberhard was principally responsible for the Roadster's production delays or Tesla Motors' financial instability; and 5) Eberhard deceived and made misrepresentations to the BOD during his tenure at Tesla Motors;

b. An injunction ordering Tesla Motors, including but not limited to, its BOD members and members of its executive team, to cease and desist from making any statements on its website or publications made on behalf of the company that: 1) Musk is a founder or creator of Tesla Motors; 2) anyone other than Eberhard and Trepanning are the founders or creators of Tesla Motors; 3) undermine the status of Eberhard or Tarpenning as the sole founders and creators of Tesla Motors; 4) Eberhard was principally responsible for the

1 Roadster's production delays or Tesla Motors' financial instability; and 5)
2 Eberhard deceived and made misrepresentations to the BOD during his tenure at
3 Tesla Motors;

4 c. An injunction order mandating Tesla Motors to: 1) include a statement
5 on its website and official publications that Eberhard and Tarpenning are the
6 sole founders and creators of the company; and 2) remove all references from
7 its website and any other official publications as if Musk is the founder of the
8 company, including but not limited to the removal of all press releases and links
9 to any publications stating that Musk is the founder of Tesla Motors; and

10 d. An injunction order mandating Tesla Motors and Musk to publish a
11 public statement to be distributed to major media outlets, including, but not
12 limited to, National Public Radio, the San Jose Mercury News, usatoday.com,
13 Fortune Magazine, cnet.com, New York Times, Newsweek Magazine, and to all
14 customers and investors of Tesla Motors, stating that: 1) Musk was never the
15 founder or creator of Tesla Motors; 2) that Eberhard and Tarpenning are the
16 sole founders and creators of Tesla Motors; that 3) Musk and Tesla Motors
17 retract any statements they made that undermine the status of Eberhard and
18 Tarpenning as the founders and creators of Tesla Motors, as well as any
19 statements asserting that Eberhard was principally responsible for the
20 Roadster's production delays or Tesla Motors' financial instability, and that
21 Eberhard deceived and made misrepresentations to the BOD during his tenure at
22 Tesla Motors.

23 145. Injunctive relief is necessary and appropriate at this time because, considering
24 Musk and Tesla Motors' persistent libel and slander described above, there is a high likelihood
25 that Musk and Tesla Motors will repeat these statements in the future. Additionally, a public
26 retraction of Musk and Tesla Motors' libel and slander is necessary to help undo the substantial
27 harm that Eberhard's reputation has suffered due to Musk and Tesla Motors' actions.
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1 **FOURTH CAUSE OF ACTION**
2 **Breach of Contract**
3 **[Asserted against Tesla Motors]**

4 **COUNT ONE**
5 **Severance Agreements**

6 146. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
7 reference.

8 147. Tesla Motors and Eberhard entered into the Resignation of Employment
9 Agreement and Resignation from the BOD Agreement, on or about November 28, 2007.

10 148. Tesla Motors breached the Resignation of Employment Agreement and
11 Resignation from the BOD Agreement by: 1) violating the non-disparagement clause as set
12 forth in the Severance Agreements; 2) failing to pay Eberhard his full severance pay and all of
13 the benefits he was entitled to under the Severance Agreements; and 3) discontinuing the
14 vesting of Eberhard's Tesla Motors stock options under the Severance Agreements.

15 **COUNT TWO**
16 **Roadster Delivery Agreement**

17 149. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
18 reference.

19 150. Eberhard and Tesla Motors entered into an agreement whereby Eberhard
20 purchased the second Roadster in the Founders' Series Production. This agreement was signed
21 by Eberhard on or about January 7, 2007.

22 151. Tesla Motors breached the Roadster Agreement by: 1) failing to provide
23 Eberhard with the second Roadster in the Founders' Series Production; 2) failing to properly
24 test the Roadster and crashing it as set forth above; 3) failing to timely deliver the Roadster;
25 and 4) delivering the car after it underwent a major collision.

26 152. As a direct and proximate cause of the unlawful conduct of Tesla Motors
27 against Eberhard, as set forth above, Eberhard has suffered special, actual, compensatory
28 and/or nominal damages in amounts to be determined at trial.

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COUNT THREE
Upgrade of Roadster Agreement

153. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by reference.

154. Eberhard and Tesla Motors entered into an agreement whereby Tesla promised to perform the essential drivetrain upgrade on Eberhard's Roadster.

155. Tesla Motors breached the Roadster Agreement by failing to provide Eberhard with this upgrade.

156. As a direct and proximate cause of the unlawful conduct of Tesla Motors against Eberhard, as set forth above, Eberhard has suffered special, actual, compensatory and/or nominal damages in amounts to be determined at trial.

FIFTH CAUSE OF ACTION
Specific Performance of the Severance Agreements
[Asserted against Tesla Motors]

157. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by reference.

158. Tesla Motors and Eberhard entered into a specifically enforceable contract that was sufficiently certain in its terms when Eberhard executed the BOD Resignation Agreement on November 28, 2009.

159. Eberhard has performed all of his duties that were required to be performed under the BOD Resignation Agreement and has adhered to the terms of the contract. Eberhard remains ready and willing to perform all terms of the agreement applicable to him.

160. Tesla Motors unilaterally and inexcusably breached the BOD Resignation Agreement when Tesla Motors informed Eberhard that it would not honor its obligation to grant Eberhard with Tesla Motors' stock options that were to vest each month no later than January 2008 through December 2011 as per the Options Grant clause of the BOD Resignation Agreement.

161. Eberhard has no adequate remedy at law because the value of Tesla Motors' stock is subject to change based on the markets in the future, and the Court cannot predict the true value of these stocks over time.

162. Eberhard therefore seeks specific performance from Tesla Motors for the Tesla Motors stock options that will vest according to the terms of the BOD Resignation Agreement from the date of this agreement through December 2011.

SIXTH CAUSE OF ACTION

Declaratory Relief

COUNT ONE
Founders and Creators of Tesla Motors
[Asserted against all Defendants]

163. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by reference.

164. An actual controversy has arisen and now exists between Eberhard and Tesla Motors and Musk concerning statements made by Musk, acting on behalf of Tesla Motors, that: 1) Musk is the founder or creator of Tesla Motors; 2) undermine the status of Eberhard or Tarpenning as the sole founders and creators of Tesla Motors; 3) Eberhard was principally responsible for the Roadster's production delays or Tesla Motors' financial instability; and 4) Eberhard deceived and made misrepresentations to the BOD during his tenure at Tesla Motors. These statements are included, but were not limited to the statements set forth in section III.E. above.

165. Eberhard seeks a declaration stating that: 1) Musk was never the founder or creator of Tesla Motors; 2) that Eberhard and Tarpenning are the sole founders and creators of Tesla Motors; 3) that Eberhard was not principally responsible for the Roadster's production delays or Tesla Motors' financial instability; and 4) that Eberhard was forthright with the BOD and that he never deceived and made misrepresentations to the BOD during his tenure at Tesla Motors.

COUNT TWO
Entitlement to Stock Options
[Asserted against Tesla Motors]

166. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by reference.

1 167. An actual controversy has arisen and now exists between Eberhard and Tesla
2 Motors concerning Eberhard's right to stock options that should have vested under the Option
3 Grant provision of the BOD Resignation Agreement.

4 168. Eberhard seeks a declaration that Tesla Motors breached the BOD Resignation
5 Agreement when it unilaterally denied Eberhard those stock options.

6 169. Eberhard also seeks a declaration that Eberhard is entitled to the immediate
7 vesting of a pro rata portion of the stock options according to the terms of the BOD
8 Resignation Agreement at the time of the resolution of this litigation.

9 170. A judicial declaration is necessary and appropriate at this time in order that
10 Eberhard may ascertain his rights as to the issues stated above.

11 **SEVENTH CAUSE OF ACTION**
12 **Failure to Pay Due and Earned Wages**
13 **in Violation of Labor Code § 201**
14 **[Asserted against Tesla Motors]**

15 171. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
16 reference.

17 172. Under California law, severance pay constitutes wages for purposes of the
18 Labor Code. *Data Services, Inc. v. Jackson* (1984) 153 Cal.App.3d Supp. 1, 10. Additionally,
19 stock options form part of an employee's compensation package and are thus wages. *Barter v.*
20 *National General Corp.* (1967) 254 Cal.App.2d 126, 141.

21 173. Labor Code § 201(a) requires an employer who discharges an employee to pay
22 compensation due and owing to the employee immediately upon discharge.

23 174. Labor Code § 202(a) requires an employer to pay compensation due and owing
24 to an employee who has quit or resigned within seventy-two (72) hours of that the time at
25 which the employee provided notice of his intention to quit or resign.

26 175. Pursuant to Labor Code § 200(a), wages include all amounts of compensation
27 received by an employee, which includes bonuses, severances, incentives and benefits.

28 176. On or about November 28, 2007, Eberhard signed the Severance Agreements
which included a severance package of \$100,000 and the grant of 250,000 stock options. On
or about January 28, 2008, Tesla Motors unilaterally and unlawfully terminated the Severance
Agreements and ceased fulfilling its obligations to pay and provide Eberhard his severance

1 package.

2 177. Tesla Motors did not provide Eberhard with his full severance package within
3 72 hours of his resignation and did not provide it to him with in 72 hours of the termination of
4 the Severance Agreements.

5 178. As a direct and proximate result of Tesla Motors' conduct, Eberhard has
6 suffered damages, in an amount to be proven at trial.

7 179. As a direct and proximate result of Tesla Motors' conduct, Eberhard is also
8 entitled to attorneys' fees under Labor Code §§ 218.5 and 1194, in addition to interest,
9 expenses and costs of suit.

10 **EIGHTH CAUSE OF ACTION**
11 **Waiting Time Penalties for Failure to Pay Due and Earned Wages**
12 **Pursuant to Labor Code § 203**
13 **[Asserted against Tesla Motors]**

14 180. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
15 reference.

16 181. Labor Code § 201(a) requires an employer who discharges an employee to pay
17 compensation due and owing to the employee immediately upon discharge.

18 182. Labor Code § 202(a) requires an employer to pay compensation due and owing
19 to an employee who has quit or resigned within seventy-two (72) hours of that the time at
20 which the employee provided notice of his intention to quit or resign.

21 183. Labor Code § 203 provides that if an employer willfully fails to pay
22 compensation promptly upon discharge or resignation, as required under Labor Code §§ 201
23 and 202, then the employer is liable for waiting time penalties in the form of continued
24 compensation for up to thirty (30) work days.

25 184. Eberhard is entitled to unpaid compensation, including benefits, incentives and
26 stock options for which he has not yet been paid and/or provided.

27 185. Eberhard has not been not employed by Tesla Motors since November 28, 2007,
28 and has not been provided his severance package since January 28, 2008. Eberhard should
have received his last severance payment on June 1, 2008.

186. Tesla Motors has willfully failed and refused to make timely payment of wages
or provide stock options to Eberhard.

1 187. As a direct and proximate result of Tesla Motors' alleged conduct, Tesla
2 Motors is liable to Eberhard for up to thirty (30) days of waiting time penalties pursuant to
3 Labor Code § 203.

4 188. As a direct and proximate result of Tesla Motors' conduct, Eberhard also
5 entitled to attorneys fees under Labor Code §§ 218.5 and 1194, in addition to interest, expenses
6 and costs of suit.

7 **NINTH CAUSE OF ACTION**
8 **Failure to Provide Lawful Wage Statements**
9 **Pursuant to Labor Code §226**
 [Asserted Against Tesla Motors]

10 189. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
11 reference.

12 190. Under Labor Code § 226(a), every employer shall, semimonthly or at the time
13 of each payment of wages, provide each employee with a written itemized statement showing,
14 *inter alia*, the gross wages earned, all deductions, and net wages.

15 191. Labor Code § 226(e) provides that an employee suffering injury as a result of a
16 knowing and intentional failure by employer to provide an employee with a written itemized
17 statement is entitled to recover the greater of all actual damages or fifty dollars (\$50) for the
18 initial pay period in which the violation occurs and one hundred dollars (\$100) per employee
19 for each violation in a subsequent pay period, not exceeding an aggregate penalty of four
thousand dollars (\$4000), and is entitled to an award of costs reasonable attorneys' fees.

20 192. Tesla Motors failed to provide accurate, itemized wage statements to Eberhard
21 with regard to the severance package.

22 193. As a direct and proximate result of Tesla Motors' alleged conduct, Tesla Motors
23 is liable to Eberhard for the amounts described above, in addition to the civil penalties
provided for in Labor Code §226.3.

24 194. As a direct and proximate result of Tesla Motors' alleged conduct, Eberhard is
25 also entitled to attorneys' fees under Labor Code § 226(e), in addition to interest, expenses and
26 costs of suit.

27 //
28 //
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1 **TENTH CAUSE OF ACTION**

2 **Conversion**

3 **[Asserted against Tesla Motors]**

4 195. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
5 reference.

6 196. At all times mentioned herein, Eberhard was entitled to the possession of the
7 following personal property, namely the second production Roadster.

8 197. Defendant Tesla Motors took the above-mentioned property and converted the
9 same to its own use, selling it to another Tesla Motors customer.

10 198. The aforementioned acts of Defendant Tesla Motors were willful, wanton,
11 malicious, and oppressive, were taken with the intent to defraud, and justify the awarding of
12 exemplary and punitive damages in an amount to be determined at trial.

13 **ELEVENTH CAUSE OF ACTION**

14 **Negligence, including Negligent Infliction of Emotional Distress**

15 **[Asserted against all Defendants]**

16 199. The allegations of paragraphs 1-130 are re-alleged and incorporated herein by
17 reference.

18 200. At all times mentioned herein, Defendants had a duty to exercise due care
19 toward Eberhard and to refrain from carelessly, negligently, and arbitrarily inflicting emotional
20 distress upon him and cause other damages.

21 201. Defendants breached the aforesaid duty of care by failing to comply with all
22 applicable state and local laws governing Eberhard's rights.

23 202. Defendants knew, or should have known, that their failure to exercise due care
24 with regard to the aforementioned conduct would cause Eberhard severe emotional distress and
25 other damages.

26 203. As a direct and proximate result of the negligent conduct by Defendants,
27 Eberhard has suffered damages, including but not limited to, emotional distress which under
28 the same circumstances a reasonable person would be unable to cope with and other damages
in an amount according to proof.

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JURY DEMAND

98. Eberhard hereby demands a trial by jury in this action.

PRAYER FOR RELIEF

Wherefore, Eberhard prays for this Court to grant the following relief:

1. Special damages;
2. General damages;
3. Punitive damages;
4. Specific performance;
5. Declaratory Relief;
6. Injunctive Relief;
7. Statutory damages and penalties;
8. Reasonable attorneys' fees;
9. Costs of the suit incurred herein;
10. Interest allowed by law; and
11. All other further relief as this Court deems just and proper.

Dated: May 26, 2009

PERETZ & ASSOCIATES

By: 

Yosef Peretz
Emily Knoles
Attorney for Plaintiff
MARTIN EBERHARD

EXHIBIT 1



November 28, 2007

Martin Eberhard
300 Allen Road
Woodside, CA 94062

Re: *Resignation of Employment*

Dear Martin:

You have resigned, and I hereby accept your resignation as President, Technology at Tesla Motors, Inc. effective Friday, November 30, 2007 ("Separation Date").

The Company will pay you all accrued salary, subject to standard payroll deductions and withholdings, through the Separation Date. You will also be paid all accrued and unused vacation time earned through the Separation Date, subject to standard payroll deductions and withholdings. You are entitled to these payments regardless of whether you sign this Agreement.

As provided by the federal COBRA law and by the Company's current group health insurance policies, you will be eligible to continue your health insurance benefits following the Separation Date and, later, to convert to an individual policy. You will be provided with a separate notice of your COBRA rights. If you elect continued coverage under COBRA, the Company will pay your COBRA premiums through May 31, 2009 as part of this Agreement. The Company's obligation to make these payments will cease immediately if you become eligible for other health insurance benefits at the expense of another employer. You agree to immediately provide the Company written notice of the availability of health insurance within that time period. Although you are entitled to COBRA insurance whether or not you sign this Agreement, if you want the Company to pay your COBRA premium(s) for the above-referenced time period, you must sign this Agreement and timely elect COBRA.

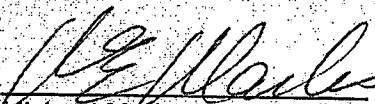
You acknowledge that, except as expressly provided in any other agreement this Agreement, you will not receive nor are you entitled to receive any additional compensation, severance or benefits after the Separation Date. You recognize and agree that your employment relationship with the Company is permanently and irrevocably severed and other than as specified in companion agreements with respect to your service on the Board of Advisors, the Company has no obligation, contractual or otherwise, to hire, re-hire or re-employ you in the future.

You acknowledge your continuing obligations under your Employee Proprietary Information and Inventions Agreement (attached hereto as Exhibit A) which include but are not limited to return of company documents, and the obligation to refrain from any unauthorized use or disclosure of any confidential or proprietary information of the Company.

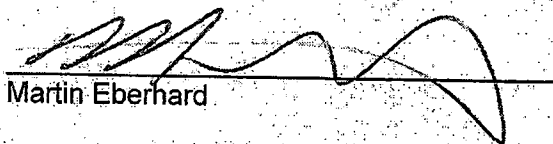
Upon your signature below, this letter, along with the letter dated November 28, 2007 regarding your resignation from the Board of Directors, will become our binding agreement with respect to your termination of employment from the Company and its terms merging and superseding in their entirety all other or prior agreements and communications, whether written or oral, by you and the Company as to the specific subjects of this Agreement.

TESLA MOTORS, INC.

By:


Michael Marks
Interim CEO

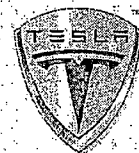
Accepted:


Martin Eberhard

Date:

11/30/07

EXHIBIT 2



November 28, 2007

Martin Eberhard
300 Allen Road
Woodside, CA 94062

Re: *Resignation from Board of Directors*

Dear Martin:

This letter sets forth the terms of the agreement (the "Agreement") that Tesla Motors, Inc. (the "Company") and you have agreed upon in connection with your resignation as a member of the Board of Directors.

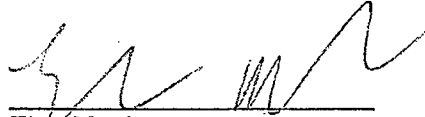
1. **RESIGNATION.** You hereby resign your position as a member of Tesla's Board of Directors effective November 28, 2007. I have provided a notice of conversion to the Company to convert 8,000,000 shares of preferred stock to common stock, and such conversion will be completed as of December 5, 2007.
2. **SEVERANCE.** Although the Company has no policy or procedure requiring payment of any severance benefits, the Company will make a severance payment to you in the amount of \$100,000.00, which is equivalent to six months of base pay, subject to standard deductions and withholdings and less any sums owing to the Company. You will receive this payment in six monthly installments commencing on December 1, 2008, provided you remain in compliance with this Agreement.
3. **BOARD OF ADVISORS APPOINTMENT.** Commencing November 29, 2007, you will be appointed to the Board of Advisors, and will serve at the pleasure of the Company's CEO. While serving on the Board of Advisors, you agree to remain available to Tesla for consulting activities to Tesla.
4. **OPTION GRANT.** Subject to approval of the Board of Directors, Tesla will grant to you a nonqualified stock option to purchase 250,000 shares of Tesla common stock. Such option grant will be pursuant to Tesla's Equity Incentive Plan then in effect. Tesla will grant the option at 85% of the fair market value for Tesla's common stock on the date of the grant. Your stock options will vest commencing upon the grant date, but no later than January 1, 2008. 1/36th of the shares vest monthly thereafter over a three year vesting term.
5. **NONDISPARAGEMENT.** Tesla and you each mutually agree not to disparage the other party, or any officers, directors, employees, shareholders and agents of such other party, in any manner likely to be harmful to them or their business, business reputation or personal reputation. Each party will respond accurately and fully to any question, inquiry or request for information when required by legal process. Failure to comply with this provision shall be a material breach of this Agreement.
6. **RELEASE OF CLAIMS.** You and the Company each agree to hereby release, cancel, forgive and forever discharge the other party from all actions, claims, demands, damages, obligations, liabilities, controversies and executions, of any kind or nature whatsoever, whether known or unknown, whether suspected or not, which have arisen, or

may have arisen, or shall arise by reason of your relationship to the Company, its Board of Directors and does specifically waive any claim or right to assert any cause of action or alleged case of action or claim or demand which has, through oversight or error intentionally or unintentionally or through a mutual mistake, been omitted from this Release. Further, each party does hereby release, cancel, forgive and forever discharge the other, from all actions, claims, demands, damages, obligations, liabilities, controversies and executions, of any kind or nature whatsoever, whether known or unknown, whether suspected or not, which have arisen, or may have arisen, or shall arise on connection with the relationship between you and the Company and its Board of Directors, does specifically waive any claim or right to assert any cause of action or alleged case of action or claim or demand which has, through oversight or error intentionally or unintentionally or through a mutual mistake, been omitted from this Release. Each party hereby knowingly, intentionally, and expressly waive and relinquish all rights and benefits under Section 1542 of the California Civil Code and any law of any jurisdiction of similar effect with respect to your release or the Company's release of any unknown or unsuspected claims you or the Company may have against the other party.

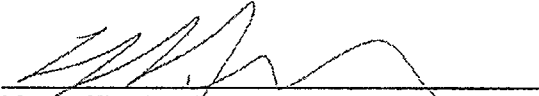
Upon your signature below, this will become our binding agreement with respect to your termination of employment from the Company and its terms merging and superseding in their entirety all other or prior agreements and communications, whether written or oral, by you and the Company as to the specific subjects of this Agreement.

TESLA MOTORS, INC.

By:


Elon Musk
Chairman, Board of Directors

Accepted:


Martin Eberhard

Date: 11/28/07

EXHIBIT 3

Check 1

Name: Martin F Eberhard
Company: RBH - Tesla Motors
File #: 050001
Request Description:
Tax Frequency: S - Semi-monthly
Worked In Department: 121500 - New Technology
Disburse Lien Deductions: No

Gross to Net Summary

Total Hours	0.00
Total Earnings (Gross Pay)	16,668.00
Total Taxes	6,623.38
Total Deductions	0.00
Net Pay	10,044.62
Total Memos	16,668.00

Gross to Net Detail**Hours/Earnings**

	Hours	Earnings	Field #
Regular		16,668.00	
Overtime			
Total	0.00	16,668.00	

Taxes

Federal	4,933.48
Medicare	241.69
State Worked in: CA - California	1,448.21
Total	6,623.38

Deductions

Total	0.00
Memos	
J - Comp	16,668.00
Total	16,668.00

Print

Close

W-2 Wage and Tax Statement 2007

Control number 50001 14/RBH Dept 121500 Corp. T Employer use only 77

Employer's name, address, and ZIP code
TESLA MOTORS INC
 1050 BING ST
 SAN CARLOS CA 94070

Batch #01336

Employee's name, address, and ZIP code

MARTIN F EBERHARD
 30 ALLEN RD
 WOODSIDE CA 94062

Employer's FED ID number 91-2197729	1 Empk
Wages, tips, other comp. 207625.00	2 Federal income tax withheld 52845.64
Social security wages 97500.00	4 Social security tax withheld 6045.00
Medicare wages and tips 223125.00	6 Medicare tax withheld 3235.32
Social security tips	8 Allocated tips
Advance EIC payment	10 Dependent care benefits
Nonqualified plans	12a See instructions for box 12 C 30.00
Other 500.33 SDI	12b D 15500.00 12c W 2640.00 12d
State Employer's state ID no. CA 238-4218 0	16 State wages, tips, etc. 210265.00
State income tax 17073.99	18 Local wages, tips, etc.
Local income tax	20 Locality name

2007 W-2 and Earnings Summary

This Blue Earnings Summary section is included with your W-2 to help describe portions in more detail. The reverse side includes general information that you may also find helpful.

The following information reflects your final 2007 pay, including any adjustments submitted by your employer.

Gross Pay	223,095.00	Social Security Tax Withheld	6,045.00	CA State Income Tax	17,073.99
Fed. Income Tax Withheld	52,845.64	Medicare Tax Withheld	3,235.32	Box 14 of W-2	500.33

2. Your Gross Pay was adjusted as follows to produce your W-2 Statement:

Gross Pay	223,095.00	Wages, tips, other Compensation	223,095.00	Social Security Wages	223,095.00	Medicare Wages	223,095.00	CA State Wages	223,095.00
Plus GHI (D-Box 12)	30.00		30.00		30.00		30.00		30.00
Less 401(k) (D-Box 12)	45,500.00		N/A		N/A		N/A		15,500.00
Plus ER-PAID HSA (W-Box 12)	N/A		N/A		N/A		N/A		2,640.00
Wages Over Limit	N/A		125,625.00		N/A		N/A		N/A
Reported W-2 Wages	207,625.00		97,500.00		223,125.00		210,265.00		

3. Employee W-4 Profile. To change your Employee W-4 Profile information, file a new W-4 with your payroll dept.

MARTIN F EBERHARD
 300 ALLEN RD
 WOODSIDE CA 94062

Social Security Number
 Taxable Marital Status: SINGLE
 Exemptions/Allowances:
 FEDERAL: 0
 STATE: 0

© 2007 ADP, INC.

Fold and Detach Here

Wages, tips, other comp. 207625.00	2 Federal income tax withheld 52845.64
Social security wages 97500.00	4 Social security tax withheld 6045.00
Medicare wages and tips 223125.00	6 Medicare tax withheld 3235.32
Control number 0001 14/RBH Dept 121500 Corp. T Employer use only 77	
Employer's name, address, and ZIP code TESLA MOTORS INC 1050 BING ST SAN CARLOS CA 94070	

Employer's FED ID number 91-2197729	8 Empk
Social security tips	8 Allocated tips
Advance EIC payment	10 Dependent care benefits
Nonqualified plans	12a See instructions for box 12 C 30.00
Other 500.33 SDI	12b D 15500.00 12c W 2640.00 12d
13 Stat emp. Ret. plan 3rd party sick pay	X

Employee's name, address and ZIP code
MARTIN F EBERHARD
 30 ALLEN RD
 WOODSIDE CA 94062

State Employer's state ID no. CA 238-4218 0	16 State wages, tips, etc. 210265.00
State income tax 17073.99	18 Local wages, tips, etc.
Local income tax	20 Locality name

N-2 Wage and Tax Statement 2007

Wages, tips, other comp. 207625.00	2 Federal income tax withheld 52845.64
Social security wages 97500.00	4 Social security tax withheld 6045.00
Medicare wages and tips 223125.00	6 Medicare tax withheld 3235.32
d Control number 050001 14/RBH Dept 121500 Corp. T Employer use only 77	
c Employer's name, address, and ZIP code TESLA MOTORS INC 1050 BING ST SAN CARLOS CA 94070	

b Employer's FED ID number 91-2197729	a Empk
7 Social security tips	8 Allocated tips
9 Advance EIC payment	10 Dependent care benefits
11 Nonqualified plans	12a C 30.00
14 Other 500.33 CA SDI	12b D 15500.00 12c W 2640.00 12d
13 Stat emp. Ret. plan 3rd party sick pay	X

e/f Employee's name, address and ZIP code
MARTIN F EBERHARD
 300 ALLEN RD
 WOODSIDE CA 94062

15 State Employer's state ID no. CA 238-4218 0	16 State wages, tips, etc. 210265.00
17 State income tax 17073.99	18 Local wages, tips, etc.
19 Local income tax	20 Locality name

W-2 Wage and Tax Statement 2007

Wages, tips, other comp. 207625.00	2 Federal income tax withheld 52845.64
Social security wages 97500.00	4 Social security tax withheld 6045.00
Medicare wages and tips 223125.00	6 Medicare tax withheld 3235.32
d Control number 050001 14/RBH Dept 121500 Corp. T Employer use only 77	
c Employer's name, address, and ZIP code TESLA MOTORS INC 1050 BING ST SAN CARLOS CA 94070	

b Employer's FED ID number 91-2197729	a Empk
7 Social security tips	8 Allocated tips
9 Advance EIC payment	10 Dependent care benefits
11 Nonqualified plans	12a C 30.00
14 Other 500.33 CA SDI	12b D 15500.00 12c W 2640.00 12d
13 Stat emp. Ret. plan 3rd party sick pay	X

e/f Employee's name, address and ZIP code
MARTIN F EBERHARD
 300 ALLEN RD
 WOODSIDE CA 94062

15 State Employer's state ID no. CA 238-4218 0	16 State wages, tips, etc. 210265.00
17 State income tax 17073.99	18 Local wages, tips, etc.
19 Local income tax	20 Locality name

W-2 Wage and Tax Statement 2007

EXHIBIT 4

LOAN AND PLEDGE AGREEMENT

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 10.11

FULL RECOURSE PROMISSORY NOTE

\$1,350,000.00
Palo Alto, California

September 10, 2001

For value received, the undersigned promises to pay PAYPAL, INC., a Delaware corporation (the "*Company*"), at its principal office the principal sum of One Million Three Hundred Fifty Thousand Dollars and No Cents (\$1,350,000.00) with interest from the date hereof at a rate of 5.12% per annum, compounded annually, on the unpaid balance of such principal sum. Such principal and interest shall be due and payable on August 13, 2005.

If the undersigned's employment or consulting relationship with the Company is terminated prior to payment in full of this Note, this Note shall be immediately due and payable.

Principal and interest are payable in lawful money of the United States of America. Amounts due under this Note may be prepaid at any time without penalty.

THIS NOTE IS A FULL RECOURSE PROMISSORY NOTE. Should suit be commenced to collect this Note or any portion thereof, such amount of attorneys' fees and other collection fees paid by the Company as the court or arbitrator may deem reasonable shall be added to the principal amount herein. The makers and any endorsers severally waive presentment for payment, protest, notice of protest and notice of non-payment of this Note. This Note shall be construed in accordance with the laws of the State of California, without regard to the conflicts of law provisions of the State of California or of any other state.

/s/ Peter Thiel

Peter Thiel

QuickLinks

FULL RECOURSE PROMISSORY NOTE

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 10.15

PAYPAL, INC.

SEPARATION AGREEMENT AND MUTUAL RELEASE

This Separation Agreement and Mutual Release ("**Agreement**") is made by and between PayPal, Inc., a Delaware corporation (the "**Company**"), and Elon Musk ("**Mr. Musk**" or "**Employee**").

Mr. Musk has been an employee and officer, and is a founder and member of the Board of Directors (the "**Board**"), of the Company. The Company and Mr. Musk (the "**Parties**") have mutually agreed to terminate their employment relationship, to release each other from any claims arising from or related to this relationship and to enter into this Agreement.

In consideration of the mutual promises made herein and other valuable consideration, receipt of which is hereby acknowledged, the Parties agree as follows:

1. **Resignation and Termination of Employment.** The Parties agree and acknowledge that Mr. Musk resigned as Chief Executive Officer and President of the Company effective September 24, 2000 (the "**Resignation Date**"). In addition, the Parties agree and acknowledge that Mr. Musk continued as an employee of the Company for the period beginning on the Resignation Date and ending on March 9, 2001 (the "**Termination Date**").

Employee Benefits.

(a) The Parties agree and acknowledge that Mr. Musk continued to receive the Company's life, medical, dental and vision insurance benefits at Company expense until March 31, 2001, which date is the "qualifying event" date under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"). After such date, Mr. Musk has the right to continue coverage, at his own expense, under these programs pursuant to COBRA, provided he properly elects such coverage. Except as otherwise set forth in this Section 2(a), Mr. Musk shall not be entitled to participate in any of the Company's benefit plans or programs offered to employees or officers of the Company after the Termination Date.

(b) The Company shall reimburse Mr. Musk for all reasonable business expenses incurred by Mr. Musk up until the Termination Date in accordance with Company policy.

3. Stock Matters. All share numbers reflected in this Agreement are stated on a post-split basis.

(a) **Common Stock.** The Parties acknowledge and agree that Mr. Musk purchased 6,000,000 shares of Common Stock (the "**Common Shares**") pursuant to two Common Stock Purchase Agreements, one relating to a purchase for cash of 5,400,000 shares, with a purchase price of \$0.00333 per share, dated March 20, 1999 (the "**First Common Stock Agreement**") and one relating to a purchase upon issuance of a promissory note to the Company in the amount of \$19,998 (the "**Common Stock Note**") (plus cash in the amount of par value) of 600,000 shares, with a purchase price of \$0.03333 per share, dated May 20, 1999 (the "**Second Common Stock Agreement**," and together with the First Common Stock Agreement, the "**Common Stock Agreements**"). Mr. Musk agrees and acknowledges that the Company's repurchase right, as provided for in Section 3(a) of each of the Common Stock Agreements, with respect to the Common Shares, shall have lapsed as of the Termination Date as to 3,000,000 shares and, effective on the Termination Date and for a period of 60 days thereafter, the Company has the right to repurchase, at Mr. Musk's original cost, 3,000,000 of the shares that are unvested as of that date (the "**Unvested Shares**"). In addition, the Company shall release and irrevocably waives its repurchase right as to an additional 1,000,000 shares of the Unvested Shares (900,000 shares under the First Common Stock Purchase Agreement and 100,000 shares under the Second Common Stock Purchase Agreement), so that Mr. Musk shall own outright, and the Company shall have no right to repurchase, an aggregate of 4,000,000 shares (the "**Vested Shares**") and the Company shall have a repurchase right as to an aggregate of 2,000,000 shares (the "**Repurchase Shares**"). The Company hereby (meaning, by delivery of this draft Agreement) gives Mr. Musk notice of its

intent to repurchase the Repurchase Shares, for an aggregate purchase price of \$12,666.00 (1,800,000 shares at \$0.00333 per share pursuant to the First Common Stock Agreement and 200,000 shares of \$0.03333 per share pursuant to the Second Common Stock Agreement). The Company shall cancel the Common Stock Note as to \$12,666 of its principal amount in satisfaction of its repurchase right with respect to the Repurchase Shares. Mr. Musk agrees and acknowledges that he owes the Company the remainder of the principal and all accrued interest payable under the Common Stock Note, or an aggregate of \$9,201.45 (\$7,134.00 of principal and \$2,061.45 of accrued interest), which amount he shall pay by delivering to the Company a check for such amount at the time he delivers an executed copy of this Agreement to the Company. At that time, the Company shall deliver a stock certificate reflecting the Vested Shares. Mr. Musk agrees and acknowledges that the Vested Shares continue to be subject to the provisions of the Common Stock Agreements (except with respect to Section 3(a) thereof).

(b) **Series A Preferred Stock.** The Parties agree and acknowledge that Mr. Musk owns 21,000,000 shares of the Company's Series A Preferred Stock purchased pursuant to a Series A Preferred Stock Purchase Agreement dated May 20, 1999 among the Company, Mr. Musk and certain other parties (the "**Series A Agreement**"). The Parties agree and acknowledge that these shares are vested and that they continue to be subject to the terms and provisions of the Series A Agreement.

(c) **Series B Preferred Stock.** The Parties agree and acknowledge that, on July 11, 2000, the Company transferred its repurchase right applicable to 3,149,055 shares of its Series B Preferred Stock owned by William Harris to Mr. Musk. Mr. Musk purchased these shares by paying to Mr. Harris \$0.476333 per share and by issuing to the Company a promissory note (the "**Series B Note**") in the principal amount of \$389,433.14 (or, \$0.123667 per share), plus interest compounded semiannually at a rate of 6.62%. The Parties agree and acknowledge that the shares of Series B Preferred Stock purchased by Mr. Musk from Mr. Harris are vested.

(d) **Series C Preferred Stock.** The Parties agree and acknowledge that Mr. Musk owns 181,818 shares of the Company's Series C Preferred Stock purchased pursuant to a Series C Preferred Stock Purchase Agreement dated March 31, 2000 among the Company, Mr. Musk and certain other parties (the "**Series C Agreement**"). The Parties agree and acknowledge that these shares are vested and that they continue to be subject to the terms and provisions of the Series C Agreement.

(e) **Series D Preferred Stock.** The Parties agree and acknowledge that Mr. Musk owns 333,333 shares of the Company's Series D Preferred Stock purchased pursuant to a Series D Preferred Stock Purchase Agreement dated August 7, 2000 among the Company, Mr. Musk and certain other parties (the "**Series D Agreement**"). The Parties agree and acknowledge that these shares are vested and that they continue to be subject to the terms and provisions of the Series D Agreement.

(f) **Other Agreements.** The Parties agree and acknowledge that they are parties to an Amended and Restated Investors' Rights Agreement, together with certain other parties, dated August 7, 2000 (the "**Rights Agreement**"), which Agreement imposes certain

rights and restrictions on the shares of Company stock owned by Mr. Musk. The Parties agree and acknowledge that they continue to be bound by the Rights Agreement as it relates to shares of Company stock owned by Mr. Musk, all as set forth in the Rights Agreement.

(g) **Sale of Preferred Stock .**

(i) **Series C Preferred Stock Closing.** On or before the third business day after the Effective Date, Mr. Musk shall sell to the Company, and the Company shall purchase from Mr. Musk, 90,909 shares of Series C Preferred Stock owned by Mr. Musk at \$2.75 per share for a total purchase price of \$249,999.75. At the closing, Mr. Musk shall deliver the certificates

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evidencing the shares of Series C Preferred Stock being sold to the Company and the Company shall deliver to Mr. Musk a check in the amount of \$249,999.75.

(ii) **Series D Preferred Stock Closing .** On or before the third business day after the Effective Date, Mr. Musk shall sell to the Company, and the Company shall purchase from Mr. Musk, 166,667 shares of Series D Preferred Stock owned by Mr. Musk at \$3.00 per share for a total purchase price of \$500,001.00. At the closing, Mr. Musk shall deliver the certificates evidencing the shares of Series D Preferred Stock being sold to the Company and the Company shall deliver to Mr. Musk a check in the amount of \$500,001.00.

(h) **General.** Except as set forth in this Section 3 and in the Common Stock Agreements, the Series A Agreement, the Series B Agreement, the Series C Agreement, the Series D Agreement and the Rights Agreement, Mr. Musk acknowledges that he has no right, title or interest in or to any shares of the Company's capital stock under any of the above listed agreements, or any other agreement or arrangement (oral or written) with the Company or any other party.

4. **Amendment of Series B Note.** In consideration of Mr. Musk's release of claims made herein, and other promises and undertakings made by him in this Agreement, the Company agrees that the term of the Series B Note is hereby amended to provide that such note shall not become due and payable on the Termination Date (as provided for under such note), but instead its term shall be extended to provide that the Series B Note shall become due and payable in full as to all principal and accrued interest on July 11, 2004 (the original maturity date of the note). Notwithstanding the foregoing, in the event of the earlier to occur of a Change of Control or an IPO (each, as defined below), the Company hereby agrees to forgive and cancel the Series B Note and that Mr. Musk shall be released and discharged from his obligations to pay the principal and all accrued interest under the Series B Note. "Change of Control" means a sale of all or substantially all of the Company's assets, or any merger or consolidation of the Company with or into another corporation other than a merger or consolidation in which the holders of more than 50% of the shares of capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by the voting securities remaining outstanding or by their being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company, or such surviving entity, outstanding immediately after such transaction. "IPO" means a firm commitment underwritten public offering by the Company of shares of its Common Stock pursuant to a registration statement under the Securities Act, which results in aggregate cash proceeds to the Company not less than \$25,000,000 (net of underwriting discounts and commissions). Mr. Musk agrees to indemnify and hold the Company harmless from any and all liabilities, costs or expenses relating to any tax (including without limitation any income, excise or employment tax) liability, withholding obligations, interest, penalties or additions to tax that may be assessed against the Company by the Internal Revenue Service or any state tax authority as a result of any benefits conferred under this Section 4.

5. **Deletion of Reference to "Founders".** The Company acknowledges and agrees that Mr. Musk is a founder of the Company and its predecessor X.com. The Company agrees that, within ten days after the effective date of this Agreement, all references to "founders" of the Company will be removed from the Company's website and from the "about" section of all future Company press releases. In addition, the Company shall refrain from stating who the founders of the Company are or making statements quoted in the press that undermine Mr. Musk's status as a "founder" of X.com or the Company when communicating with the media or other external third parties. In the event the Company breaches its obligations under this Section 5(a), Mr. Musk may sell to the Company, and the

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Company shall purchase from Mr. Musk, shares of Series C and Series D Preferred Stock owned by Mr. Musk, at his original purchase price, as follows:

90,909 shares of Series C Preferred at \$2.75/share; aggregate:	249,999.75
166,667 shares of Series D Preferred at \$3.00/shares; aggregate:	500,001.00

In the event that Mr. Musk wishes to sell shares of Preferred Stock to the Company under this Section 5(a), he shall provide written notice to the Company of his intent to this effect after the alleged breach and a summary of the facts giving rise to the breach. The closing of this sale shall occur within five business days after receipt of the notice and a satisfactory statement of facts giving rise to the breach. At such closing, Mr. Musk shall deliver the certificates evidencing the shares of Series C and Series D Preferred Stock being sold to the Company and the Company shall deliver to Mr. Musk, within 30 business days, a check in the amount of \$750,000.75. In the event the Company disagrees with Mr. Musk's assertion that the Company has breached this Section 5(a), the Company or Mr. Musk may seek to have the matter settled by the procedures set forth in Section 14. Nothing in this Section 5 shall impair or affect Mr. Musk's right to seek additional injunctive relief as a remedy for a breach of this Section 5.

6. *Employee and Mutual Covenants*

(a) **Confidential Information.** Mr. Musk represents and warrants that he has not breached his obligations to the Company under the terms of the Confidential Information and Invention Assignment Agreement he executed June 22, 2000 (the "**Confidentiality Agreement**"), a copy of which is attached hereto as *Exhibit A*. Mr. Musk understands and agrees that his obligations to the Company under the Confidentiality Agreement survive the termination of his relationship with the Company under this Agreement. Mr. Musk further agrees to execute the Termination Certification attached as Exhibit B to the Confidentiality Agreement.

(b) **Confidentiality of Terms.** The Parties agree, on their own behalf and on behalf of their representatives, to keep the terms and amount of this Agreement completely confidential and that they will not hereafter disclose any such information concerning this Agreement to anyone, unless required or permitted to do so by law. Mr. Musk may disclose the terms of this Agreement to his spouse and his accountants, tax advisors or preparers, each of whom shall be required to maintain the confidentiality of this Agreement. The Company may disclose the terms of this Agreement to certain of its employees who need to know, its board members, its accountants, lawyers, tax advisors or preparers, or other advisors who need to know, each of whom shall be required to maintain the confidentiality of this Agreement.

(c) **Nondisparagement.** The Parties also agree that they will not, either directly or indirectly, hereafter make any defamatory, negative or denigrating comments of any type or nature whatsoever about each other (or the other Party's employees, officers, agents, consultants, affiliates, investors or business partners) to anyone.

7. **No Other Payments Due.** The Parties agree that the Company has paid Mr. Musk all salary owed him through the Termination Date, and that the Company has paid him all bonuses, accrued vacation and other sums as are due to him. By executing this Agreement, Mr. Musk hereby acknowledges receipt of all such payments as received, and acknowledges that, in light of the payment

by the Company of all wages due to him, California Labor Code Section 206.5 is not applicable to the Parties hereto. That section provided in pertinent part as follows:

No employer shall require the execution of any release of any claim or right on account of wages due, or to become due, or made as an advance on wages to be earned, unless payment of such wages has been made.

8. **Release of Claims.** In consideration for the obligations of both parties set forth in this Agreement and for other valuable consideration, Mr. Musk and the Company, on behalf of themselves, and their respective heirs, executors, officers, directors, employees, investors, stockholders, administrators and assigns, hereby fully and forever release each other and their respective heirs, executors, officers, directors, employees, investors, stockholders, administrators, parent and subsidiary corporations, predecessor and successor corporations and assigns, of and from any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that any of them may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date of this Agreement including, without limitation:

- (a) any and all claims relating to or arising from Mr. Musk's employment relationship with the Company and the termination of that relationship;
- (b) any and all claims relating to, or arising from, Mr. Musk's right to purchase, or actual purchase of shares of stock of the Company;
- (c) any and all claims for wrongful discharge of employment; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied, negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; negligence; and defamation;

(d) any and all claims for violation of any federal, state or municipal statute, including, but not limited to the Civil Rights Act of 1866, as amended, the Civil Rights Act of 1964, as amended, the California Fair Employment and Housing Act, as amended, the federal and state family leave acts, the Age Discrimination in Employment Act of 1967, the Older Workers' Benefit Protection Act, the Americans with Disabilities Act of 1990, and the Civil Rights Act of 1991);

(e) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination; and

(f) any and all claims for attorneys' fees and costs.

The Company and Mr. Musk agree that the release set forth in this Section 8 shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred or specified under this Agreement.

9. **Civil Code Section 1542.** The Parties represent that they are not aware of any claim by either of them other than the claims that are released by this Agreement. Mr. Musk and the Company acknowledge that they are familiar with the provisions of California Civil Code Section 1542, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

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Mr. Musk and the Company, being aware of said Code section, agree to expressly waive any rights they may have thereunder, as well as under any other statute or common law principles of similar effect.

10. **Breach of Agreement.** The Parties agree and acknowledge that upon breach by either Party of this Agreement, including the covenants contained in Sections 5 or 6 above, the other Party would sustain irreparable harm, and, therefore, they agree that in addition to any other remedies that they may have under this Agreement or otherwise, each Party shall be entitled to obtain equitable relief, including specific performance and injunctive relief, restraining the other Party from committing or continuing any such breach or directing such Party to perform its obligations pursuant to this Agreement.

11. **Authority.** The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Mr. Musk represents and warrants that he has the capacity to act on his own behalf and on behalf of all who might claim through him to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

12. **No Representations.** Neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Agreement.

13. **Severability.** In the event that any provision hereof becomes or is declared by a court or other tribunal of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

14. **Arbitration.** The Parties shall attempt to settle all disputes arising in connection with this Agreement through good faith consultation. In the event no agreement can be reached on such dispute within thirty (30) days after notification in writing by either Party to the other concerning such dispute, the dispute shall be settled by binding arbitration to be conducted in Santa Clara County, California before an arbitrator to be mutually agreed upon. If the Parties cannot agree, they shall submit the matter to the presiding judge of Santa Clara County, who shall select an arbitrator based on input from the Parties. The arbitration decision shall be final, conclusive and binding on both Parties and any arbitration award or decision may be entered in any court having jurisdiction. The Parties agree that the prevailing party in any arbitration shall be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. The Parties further agree that the prevailing Party in any such proceeding shall be awarded reasonable attorneys' fees and costs. This Section 14 shall not apply to the Confidentiality Agreement. **The parties hereby waive any rights they may have to trial by jury in regard to arbitrable claims.**

15. **Entire Agreement.** This Agreement, the exhibits hereto and the other agreements referenced in this Agreement (as such other agreements are amended by this Agreement), represent the entire agreement and understanding between the Company and Mr. Musk concerning Mr. Musk's separation from the Company, and supersede and replace any and all prior agreements and understandings concerning Mr. Musk's employment relationship with the Company, termination of that relationship, his compensation by the Company and his ownership and interests in any capital stock of the Company. Notwithstanding the above, the Non-Competition Agreement between Mr. Musk and the Company dated March 30, 2000 remains in full force and effect pursuant to its terms.

16. **No Oral Modification.** This Agreement may only be amended in writing signed by Mr. Musk and the Company.

Governing Law. This Agreement shall be governed by the laws of the State of California, without regard to its conflicts of law provisions.

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18. **Effective Date.** This Agreement is effective upon execution by both Parties (the "**Effective Date**").
19. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.
20. **Assignment.** This Agreement may not be assigned by Mr. Musk or the Company without the prior written consent of the other party. Notwithstanding the foregoing, this Agreement may be assigned by the Company to a corporation controlling, controlled by or under common control with the Company, including a successor to the Company, without the consent of Mr. Musk.
21. **Voluntary Execution of Agreement.** This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:
- (a) they have read this Agreement;
 - (b) they have been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel; provided that both Parties acknowledge and agree that Venture Law Group solely represents the Company in connection with this Agreement, and generally, and does not represent Mr. Musk individually in any capacity;
 - (c) they understand the terms and consequences of this Agreement and of the releases it contains; and
 - (d) they are fully aware of the legal and binding effect of this Agreement.

The Parties have executed this Separation Agreement and Mutual Release on the respective dates set forth below.

PayPal, Inc.

Dated as of May 4, 2001

By: /s/ John Muller
Title: General Counsel and Secretary

Elon R. Musk, an individual

/s/ Elon R. Musk

Dated as of May 4, 2001

Elon R. Musk

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QuickLinks

PAYPAL, INC. SEPARATION AGREEMENT AND MUTUAL RELEASE

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 10.16

August 27th, 2001

Mr. H. David Johnson
3 Willow Spring Court
Moraga, CA 94556
(925) 376-6439

EXHIBIT 5

chrisworth.com

RANDOM MEANDERINGS OF A LONDON MARKETING GUY

2007 Honda Sports Car

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THURSDAY, FEBRUARY 15, 2007

Tesla gets things sparking

Whoooo! Tesla is taking orders again! This is the REAL way to reduce reliance on fossil fuels: make a car guys would actually want to buy.

I mean, 0-60mph in 4sec, a range of over 235mi, less than a penny a mile running costs, rechargeable from a wall socket, and just one moving part in its engine instead of over a hundred? The torque curve is practically flat, no troughs or spikes.

It's all about simplicity. The brilliant engineering of internal combustion has kept an incredibly complex and inefficient power delivery system - pistons, cams, shafts, explosive fluids, timing systems - on the market for decades, thanks to there not being anything else that packs more punch. Tesla's drivetrain reduces the engine and fuel to just 40kg of rotor and a large Li-Ion battery. And I bet the driving experience is pure, clean, unsullied. The roar of a engine replaced by the feel of the road. I'd take a guess Jeremy Clarkson would like this car: he's not actually anti-environment, he just doesn't want environmental concerns to interrupt his fun. And this car looks like fun.

I wonder if I should make a pact with myself: just not to buy a car again until this thing's available on British shores? The company even sells a solar panel in the shape of a carport, so your emissions are ABSOLUTE ZERO.

Another interesting point is how the car's positioned, far from Detroit. It's been created and sold like a chunk of consumer electronics rather than a car. Integrated systems - like the PEM 'operating system' that controls everything - and solid-state hardware instead of pumps and pistons - means the car can finally become a consumer product, instead of a piece of heavy engineering that stinks out your garage.

The company's yet another Elon Musk invention, who I know slightly through an



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ABOUT ME

CHRIS WORTH
 LONDON, UNITED KINGDOM

A hobbyist triathlete and skydiver who sometimes thinks he's a marketing director. Or perhaps

industry newsletter I've written for. Founder of PayPal, head of SpaceX, founder of Tesla. What a guy.

POSTED BY CHRISWORTH AT 1:16 PM 

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the other way round. I'm pro-Europe but anti-superstate, a non-loopy libertarian, and an incurable dreamer. For some reason, I also know a lot about shipping containers. (Hey, whatever turns you on.)

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EXHIBIT 6

mathoda.com

the art, stories, and observations of Ranjit S. Mathoda

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Elon Musk is worth watching

Elon Musk ([wikipedia](#)) is one of the most interesting entrepreneurs alive today. After creating **Zip2** (sold to Compaq for \$307m) and **Paypal** (sold to eBay for \$1.5b), he's kept busy. He financed and executive produced the rather hilarious libertarian movie **Thank You For Smoking** ([imdb](#)), and founded two remarkable companies:

Tesla Motors ([my prior post](#); [wikipedia](#); [their website](#)), a credible attempt at making an all electric car.

And

SpaceX, which is trying to create cheap rockets to help humanity finally get into space in a real way. Here's an interesting profile of SpaceX: http://www.wired.com/science/space/magazine/15-06/ff_space_musk

Update, 6/20/07: Make that 3 companies. He's also the founder and Chairman of **SolarCity** (<http://www.solarcity.com/>), a company that helps building owners or communities of homeowners install, finance and monitor roof mounted solar panel installations.

Tags: [business](#), [elon musk](#), [entrepreneur](#), [paypal](#), [science](#), [spacex](#), [startup](#), [tech](#), [tesla motors](#)

This entry was posted on Tuesday, May 22nd, 2007 at 7:00 am and is filed under [business](#), [tech](#). You can follow any responses to this entry through the [RSS 2.0](#) feed. You can [leave a response](#), or [trackback](#) from your own site.

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EXHIBIT 7

Stacey's Auto Parts Resources

Offers relevant and useful auto and auto parts information from an expert in the field. With links to the best auto parts resources and stores.

THURSDAY, JULY 26, 2007

An Electric Car Built In Silicon Valley?



I had a hard time purchasing **Subaru brakes** online, so I lost my patience in the long run and decided to read some auto news instead. I found an article from [motortrend.com](#) about a company who built an electric car. It sounded good so why not dig in for some interesting info, right?

So what's the company's name? Actually, they were called a "a handful of wealthy Silicon Valley cyber-geeks"! Who are these people from Silicon Valley? Are they serious enough to outperform the biggest auto manufacturers in the industry? Why not, right?

The company we're talking about here is Tesla Motors of Silicon Valley. I know some of you have seen the products of this new infant of an auto company. Tesla Motors is known for its extraordinary character ever since it officially entered the big world of automobiles! The company was founded by Elon Musk who has made billions of fortune from the Internet payments system called PayPal while Tesla CEO Martin Eberhard made smaller bucks from e-publishing and computers. These two determined men had one dream they both believed they can fulfill - a task that for so many years, the rest of the world's auto makers failed to accomplish!

And what's that? To build an electric car that consumers would want to buy! That sounds cool, but I guess pretty complicated... Anyway, electric cars have been around from the time of the birth of the auto industry - electric taxis were on the streets of New York City back in 1897! And while scheme theorists are eagerly suggesting large auto and big oil connived to eliminate the electric car, reality reveals that consumers basically appear to wish for better flexibility, variety, and performance of internal-combustion-powered cars.

Lotus Elise-based Roadster which is worth \$92,000 was Tesla's first car that has brought the company immense publicity among the consumers.

"The Roadster will always be a niche business," he says. "But starting with

About Me

Name:

Stacey Wilson

Location:

Memphis, United States

As a former news correspondent for an auto-related website, Stacey has gathered extensive knowledge and experience in the automotive industry. This 34 year old mother of two from Memphis is a genuine car lover.

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the Roadster was important because we had to recoup the cost of the R&D on the drivetrain on a high-priced car. We also wanted to make a strong brand statement-before the Roadster, electric cars were goofy looking and not fun to drive," Tesla's Vice President of marketing, Darryl Stry, explained.

The White Star is Tesla's biggest project so far. It will be a five passenger, four-door electric sedan. It was asserted by Stry that the White Star will be fast and beautiful. An engineering prototype will be on the streets by late spring 2008.

Oh yeah! So far, so good! We can't wait until this vehicle arrives in showrooms soon! I guess Tesla Motors can be considered as a big company after all!

posted by Stacey Wilson @ 1:11 AM

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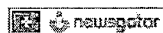
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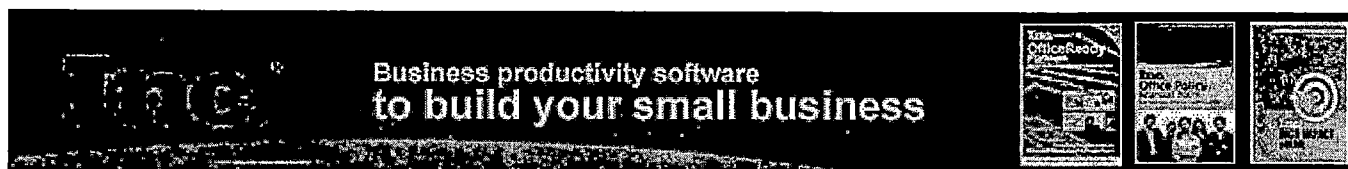
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EXHIBIT 8



Inc..com

Entrepreneur of the Year: Elon Musk

Electric sports cars. Solar power. Space travel. Finally, an entrepreneur who's not afraid to think really, really big.

From: Inc. Magazine, December 2007 | **By:** Max Chafkin

Watching Elon Musk at work is an exercise in controlling your urge to buy a man a drink. Make that several drinks. Musk is 36 years old, wicked smart, worth several hundred million dollars, and built like a tight end--thickset through the middle and well over 6 feet tall. Yet he never looks quite comfortable. Sitting in front of the oversize computer screen on his desk, he rolls back and forth in his chair, slouches and unslouches, rubs his temples, raps his fingers, and plays with his wedding ring. When he sighs, which he does frequently, his chest heaves, and his eyes widen, like someone confronted with news of his own death. He generally speaks in complete, precise sentences, rarely telling a joke or even cracking a smile.

It's not that Musk is an unpleasant guy. He just happens to be really, really busy. Musk is CEO, majority owner, and head rocket designer at SpaceX, an aerospace start-up in El Segundo, California, that by 2011 plans to be hauling astronauts to and from the International Space Station. And that's just his day job. Musk has two more wildly ambitious start-ups in play--the electric-car maker Tesla Motors and the solar panel installer SolarCity; in both cases, he serves as chairman and controlling shareholder. In fact, the South African native has been building big, ambitious companies for more than a decade. He co-founded PayPal, the online payment processor that eBay (NASDAQ:EBAY) bought in 2002 for \$1.5 billion, as well as Zip2, a dot-com media company that was sold for \$307 million when he was just 27.

Meanwhile, Musk's wife, Justine, a novelist, gave birth to triplets last year. That means Musk now has five children under the age of 4, in addition to three companies to run. Perhaps that explains why it's so rare to see Musk talk to someone on the phone without simultaneously doing something else: pecking out an e-mail, scanning invoices, mulling over a spreadsheet, shopping for computer equipment, fiddling with his BlackBerry. He often does several of these things at once. The only tasks that seem to command the entirety of his attention are technical discussions related to SpaceX's soon-to-be-launched rocket, the *Falcon 1*, and job interviews. (Musk personally vets all of SpaceX's employees, and he's in the midst of a frantic--but so far fruitless--search for a CEO for Tesla.)

To get through the day, Musk relies on two stimulants: caffeine and a desire to help humanity colonize Mars. Until he recently started cutting back on the former, Musk consumed eight cans of Diet Coke a day, as well as several large cups of coffee. "I got so freaking jacked that I seriously started to feel like I was losing my peripheral vision," he says. If he realizes how crazy this sounds, he doesn't let on. "Now, the office has caffeine-free Diet Coke." Even so, Musk frequently gets so caught up in his multitasking that it sometimes takes two or three tries at his name, uttered at full volume, to get a response.

The goal of putting people on Mars is no joke. Musk believes that over the four-and-a-half-billion-year history of

planet Earth, a dozen or so events have truly mattered. Edging forward in his chair, he ticks off a few: "There was the advent of single-celled life, multicelled life, the development of plants, then animals," he says. "On this time scale, I'd put the extension of life to another planet slightly above the transition from life in the oceans to life on land." If there's something insane about a CEO who thinks his company's mission is more important than any accomplishment in all of human history--indeed, in all of fish history--there's also something irresistible. "One of Elon's greatest skills is the ability to pass off his vision as a mandate from heaven," says Max Levchin, who co-founded PayPal with Musk. "He is very much the person who, when someone says it's impossible, shrugs and says, 'I think I can do it.'"

You've probably heard the one about the recklessly ambitious technology entrepreneur from Silicon Valley: the maverick-iconoclast-innovator with the big idea who becomes fantastically rich and changes the world. The problem with this story is that it's generally not true. Although companies like Netscape and Google are almost always presented as radically innovative start-ups, out to change the world from day one, the fact is, they began as incremental improvements, executed at opportune moments. Netscape had a slightly better version of Mosaic, a Web browser built at the University of Illinois. Today, Google is acknowledged as one of the world's most powerful and innovative companies. But when it launched, in 1998, it was simply a slightly better way to search the Web.

Perhaps for this reason, many people who invest in start-ups tend to favor companies that are based on small, executable ideas over grand strategies like Martian colonization or the resurrection of the electric car. Small ideas, the thinking goes, have a shot at growing into the next Google. And if they don't, there's a chance that today's Google may simply acquire them for a tidy sum. "Many of the companies we back start out as little features," says Roloef Botha, a partner with Sequoia Capital who led the company's investment in YouTube, which Google bought for \$1.65 billion last year. Botha, whom Musk hired in 2000 and who served as PayPal's CFO for three years, says that he gravitates to "nuggets," small ideas that play into big market trends.

Elon Musk is not a nugget kind of guy. He has distinguished himself by attempting things that most people who care about avoiding personal bankruptcy would not even consider. Yet his bets seem to be paying off. In March, SpaceX, into which Musk has poured \$100 million, launched a rocket 180 miles above Earth. That was farther than any privately developed rocket in recent history and almost three times as far as Burt Rutan's famed SpaceShipOne flight of 2004. (Of course, Rutan's rocket had a pilot at the controls, while Musk's was unmanned.) Meanwhile, Tesla Motors has gone from a half-baked idea about a battery-powered sports car to a rare bright spot in the otherwise troubled American auto industry. This month, Tesla is to begin delivery of its first production vehicle, the Roadster, having already sold 600 at \$98,000 each. Finally, SolarCity, a mere 12 months after its founding, is one of the country's largest installers of home solar panels, making the often-cumbersome process of switching to renewable energy as easy as buying a Dell.

Yet the kingmakers of innovation--the academics, the investors, the bloggers--tend not to talk about Musk. They dwell on idea people like Facebook's Mark Zuckerberg, the 23-year-old wunderkind whose high-concept notions about social networks have made him the hottest thing in business. Or they talk about prognosticators, people like MIT's Nicholas Negroponte, whose One Laptop per Child program has captured the imaginations of moguls, wonks, and Davos attendees everywhere. Elon Musk isn't a software geek or a self-styled visionary. He's not particularly young or brash or handsome, and he can come off as kind of a jerk. He isn't hawking new technology, and he's quite shy. Yet he just might change the world.

"Elon here."

Musk holds a BlackBerry to his ear as we navigate heavy traffic on Los Angeles's 105 freeway in a rented Toyota Prius. (Musk's beloved Porsche 911 Turbo is in the shop.) We'd been eating burgers at Nat's--a greasy spoon inside the Hawthorne Municipal Airport, where Musk's three-engine jet is parked--when he realized he was missing a meeting about his rocket's propellant tank. "They've designed a solution, but it's not a good solution, because it's got several hundred parts," he explains hastily as he dials the office. "If any of those pieces shake loose, they'll get stuck and choke the engine. And that will really suck."

For all the grand visions of men on Mars, SpaceX's pitch is straightforward: The company says it will send your satellite into orbit for as little as a quarter of the going rate. This is no easy task. During its flight, which was heralded as a landmark in private rocket development, Rutan's SpaceShipOne reached Mach 3, three times the speed of sound. To get to orbit, Musk needs to hit Mach 25, which requires 69 times the energy.

The state-of-the-art method for accomplishing this is Boeing's Delta IV rocket, which cost the aerospace giant roughly \$2.5 billion to design and build. Boeing is a \$61.5 billion company with more than 150,000 employees. SpaceX employs 370, it uses a converted tractor-trailer as a control room, and its CEO, a man with no prior experience with rockets, doubles as chief engineer. Yet the company has developed a competitive launch vehicle in less time and for less money than would have seemed possible. "Here, we look at every way to do something and then ask what's the minimum amount of money we need to do it--and it's approved like that," says Tom Mueller, vice president of propulsion development, or, as Mueller puts it, the "engine guy." Mueller spent 14 years at defense giant TRW prior to joining SpaceX. From 1995 to 2000, Mueller was part of a TRW team of about 80 people that built an engine intended for the Delta IV, only to see his work abandoned when Boeing selected a competing firm as its engine supplier. Tens of millions of dollars and thousands of hours amounted to no finished product. "I can't think of anything I was responsible for at TRW that ever flew," he says. At SpaceX, Mueller developed a working engine with only 25 engineers. Musk's salespeople have managed to book 14 flights for customers including NASA, the Malaysian government, and MDA, a Canadian data company, charging from \$7.1 million to \$35 million per trip. SpaceX was cash-flow-positive in the fourth quarter of last year and is on track to reach profitability when the books close on 2007.

Amazingly, the aerospace business has reached such levels of inefficiency that you can have a profitable rocket company without having successfully launched a rocket. So far, SpaceX has completed two test launches--achieving less than ideal results. At its first launch, in 2006, the engine caught fire upon liftoff. The second rocket, launched earlier this year, made it 180 miles up but was doomed by a problem known in the rocket business as "slosh." During the abortive flight, engine vibrations caused the liquid propellants inside the fuel tank to begin sloshing around. This threw the rocket into a spin and kept the engine from running properly. Unfortunately, Musk and his engineers hadn't installed anything inside the fuel tank to slow the liquid down. About five minutes into its flight, the rocket started to wobble. Three minutes later, it was plummeting back to Earth.

As he pilots the Prius toward an exit ramp, Musk joins the meeting and begins speaking. He fires off a list of directives, concerns, and ideas related to the fuel tank: How many baffles are necessary? How can SpaceX avoid Teflon clips? What about a filter? Should the team build a model or test it with a computer simulation? Still holding the phone to his ear, Musk parks the Prius smack in the middle of SpaceX's overcrowded lot--at a company that adds 11 employees a month, finding a parking spot is tough--and strides off to finish the meeting. Later that afternoon, he interviews a prospective IT manager and a recent college graduate who hopes to become a launch engineer. He meets with a couple of bankers from Morgan Stanley. After that, he has an extended meeting with a flip-flop-wearing 29-year-old who happens to be in charge of designing the rocket's fins. Musk frets over the state of Tesla Motors--he has interviewed 20 candidates and still can't find a suitable CEO--and gives an interview to a writer with *Photon* magazine about the promise of SolarCity. There are many, many e-mails to answer.

If simultaneously shepherding three disruptive companies sounds tough, it's business as usual for Musk. As a 12-year-old growing up in the South African city of Pretoria with divorced parents, Musk created a video game, Blaster, and sold it to a computer magazine for the ungodly sum of \$500. About a year later, Elon and his younger brother Kimbal, who has long been Musk's closest friend and chief co-conspirator, drew up plans to open an arcade near their school. "It was a very compelling proposition when you're 13 and you love video games," Musk says, letting out a rare chuckle. They gave up when a city official informed them that an adult's signature would be required to obtain a permit and instead sold homemade chocolates to their classmates. In his teenage years, Musk parlayed his small entrepreneurial fortune into several thousand dollars of stock market gains.

Just before Elon's 16th birthday, and without telling their parents, the brothers took a bus to the Canadian embassy and applied for passports. (Their mother, a Canadian national, now lives in Manhattan.) A year later, Elon bought a plane ticket to Canada and, over the objections of his father, left South Africa for good. Musk says he was fleeing compulsory service in the South African Defense Force, which was still repressing the country's black majority. But he is quick to add that he'd long dreamed of coming to America. "I would have come here from any country," he says. "The U.S. is where great things are possible." When I ask Musk if his father ever forgave him for leaving, he answers, "I don't really care." The two seldom speak today.

Musk enrolled in Queen's University in Kingston, Ontario; Kimbal joined him a year later. With almost no money, Musk worked a bevy of jobs--as an intern in Microsoft's Canadian marketing department, an intern for the Bank of Nova Scotia, and as a programmer for a video-game developer called, presciently, Rocket Science. He transferred to the University of Pennsylvania on a scholarship and completed a bachelor's degree in finance and one in physics. After graduating, in 1995, he moved to Palo Alto, California, having been accepted into Stanford's physics Ph.D. program, where he planned to study a variety of energy storage device called capacitors.

Something changed that summer, as Musk watched a nascent venture called Netscape Communications--founded by a kid younger than himself--quintuple in value the day it went public. "It just became clear that the Internet was going to change the world in a major way, whereas the capacitor stuff might bear fruit, or it might not," he says. "My overarching interest was to get involved in stuff that really mattered." Musk withdrew from Stanford after two days on campus, with the vague idea that he would start an Internet company. He had \$2,000 in the bank, a car, a computer, and no friends in the Bay Area.

Musk poured his energy into a company he had founded called Zip2, which in some ways was little more than an opportunistic hack. Musk persuaded Navteq, a digital-mapping company, to let him put its maps online. He then purchased a business directory on CD-ROM for a few hundred dollars, wrote a bit of software code that linked the maps to the directory, and created the Web's first yellow pages. That fall, Kimbal and another friend joined him, and the trio rented a small office with a leaky roof for \$400 a month. They caulked the ceiling, bought a couple of futons, and replaced the carpet--and they lived and worked in the dank office. Unable to afford a high-speed Internet connection, Musk ran the website on his PC using a dial-up modem. "I'd program it in the night and turn the server on during the day," he says. Eventually Musk persuaded an Internet service provider on the ground floor to let him drill a hole through the ceiling and plug in.

In January 1996, the three co-founders pitched Mohr Davidow Ventures, a Sand Hill Road venture capital firm, and talked their way into \$3 million in funding. (They'd eventually get \$38 million more.) In order to get the money, Musk agreed to cede the CEO role to a professional--Richard Sorkin, a Stanford M.B.A. who'd been a vice president at hardware manufacturer Creative Technology. Over the next two years, Sorkin navigated Zip2 competently but not spectacularly. While Yahoo, another upstart directory service, marketed itself to Web surfers, Zip2 focused on helping newspaper companies offer maps, directions, and business listings to their online readers. To Musk's chagrin, Sorkin solicited investments from many of the same companies that were licensing its software. "We wound up beholden to the newspapers," Musk says. "They were investors, customers, and they were on the board--and they basically forced Zip2 into a position of subservience." As Yahoo ushered in an era of new media, Zip2, in Musk's view, was stuck kowtowing to the old guard. (Sorkin, for his part, makes no apologies. "It wasn't a philosophical issue," he says. "We went where the money was.")

By 1998, Musk, who remained chairman and executive vice president, was thoroughly frustrated with the direction of his company but found himself unable to do anything about it. Several rounds of funding had diluted his stake to a mere 7 percent. Investors, which now included Knight Ridder, Hearst, and the New York Times Company, occupied four of seven board seats. In April of that year, Sorkin tried to sell Zip2 to Citysearch, which would have created the country's largest local search company. Musk, who believed Sorkin was squandering the potential to create a viable consumer brand, helped spark a revolt among Zip2 managers, who threatened to quit if Sorkin was not removed. The board fired Sorkin and killed the deal. Unfortunately for Musk, it installed Mohr Davidow's Derek Prouidian as CEO and promptly sold the company to Compaq. "What they should have done is put me in charge," he says. "That's OK, but great things will never happen with VCs or professional managers."

They have high drive, but they don't have the creativity or the insight. Some do, but most don't."

Compaq's cash payment of \$307 million for Zip2--at the time, the largest sum ever paid for an Internet company--made Musk a rich, but surprisingly unhappy, young man. Despite pocketing \$22 million, he considered Zip2 something of a failure. He had set out to help build the Internet and instead had built software for *The New York Times*. Rather than taking time off, he immediately began work on a new idea: an online financial services firm that would make traditional ones obsolete. "The banks are terrible at innovation, and financial services is a huge sector, so I thought, There should be something here," he says. In the summer of 1999, Sequoia Capital, the legendary backer of Oracle, Apple, and Cisco, led an investment of \$25 million in Musk's new financial services firm, X.com.

Like a lot of nutty ideas proposed during the bubble, X.com was forced to scale back its ambitions. Musk chose to focus on a single feature: the ability to make payments via e-mail. In 1999, he merged his company with a venture-backed competitor called Confinity, which had a similar product known as PayPal; the merged company kept the X.com name, and Musk became CEO. For 10 months, he presided over a heated clash of egos, personalities, and visions. "Elon is obviously really freaking smart," says Levchin, a co-founder of Confinity. However, Levchin adds that working with Musk--which is to say, working for Musk--can be difficult. "He's one of those guys who can be larger than the room," says Levchin. He and Confinity's other co-founder, Peter Thiel, became increasingly frustrated with Musk's penchant for micromanaging, as disagreements over technology and branding festered. In the fall of 2000, Musk went on a two-week trip to meet prospective investors. When he returned, he learned that Levchin and Thiel had orchestrated a coup. The board fired Musk, replaced him with Thiel, and renamed the company PayPal.

Though Musk admits he was hurt by the coup, he managed to keep his feelings bottled up. "I buried their hatchet," he says, as he pantomimes pulling a blade out of his back. "Life is too short for long-term grudges." Of course, it's also true that Levchin and Thiel went on to take PayPal public and make him even richer. But what Musk hasn't gotten over is the fact that the company never became more than a glorified feature, and he still believes that PayPal has the potential to become the world's largest consumer financial services company. "It has 120 million customers, and there's a high trust factor," says Musk. "There's a lot of unleveraged value there."

I first spoke with Musk in the fall of 2006, back when the Tesla Roadster was still just a pretty prototype. "I'm a Silicon Valley guy," Musk said at the time. "I just think people from Silicon Valley can do anything." Musk's comment was hardly surprising: Tesla Motors, and, indeed, everything about Musk, has been consistently packaged, presented, and explained as Silicon Valley come calling on old-line industries. "This is how a Silicon Valley start-up does car design," gushed a *Wired* magazine writer taken out for a test drive. (Having ridden in the car, I'll admit it's hard not to gush.)

But Musk's companies don't look much like the Internet companies Silicon Valley churns out these days. Tesla Motors, like SpaceX, is an ambitious gamble aimed at an established market. Musk spurned early-stage investors and bankrolled the company himself; he has put in \$37 million to date. Although Tesla has since accepted more than \$68 million from VCs and private equity firms, Musk remains the majority shareholder. This go-it-alone approach represents a challenge to Silicon Valley's assumptions about start-ups, according to John Seely Brown, the former chief scientist at Xerox and a visiting scholar at the University of Southern California. "When I first heard about the space stuff, I said, 'By God, this guy is crazy,'" says Brown. "But that's the point."

When I suggest to Musk that he is being reckless with his fortune, he responds coolly. "It's OK to have your eggs in one basket as long as you control what happens to that basket," he says. "The problem with the Silicon Valley financing model is that you lose control after the first investment round." Control for Musk means making sure that his companies don't turn into niche plays. It also means making day-to-day decisions. At Tesla, Musk has issued directives on seat cushions, the shape of the headlights, even the style of trunk on the company's forthcoming midrange sedan--an odd request given that his engineers have yet to figure out how exactly the thing is going to be powered. The most controversial of Musk's edicts involved the transmission. Martin Eberhard, Tesla's co-founder and then-CEO, argued that it would be quicker and easier to build the car with a single-speed

transmission. Musk ordered a two-speed model so that the Roadster would be able reach a top speed of well over 100 miles per hour.

Eberhard found these requests difficult to understand. "I've been successful in my career at constraining problems, at keeping them as manageable as possible," says Eberhard, who sold his previous company, e-book manufacturer NuvoMedia, to Gemstar, in 2000, for \$187 million. "Elon has resisted that in a push to make the car better--but at the risk of making it more complex." Musk, who several months ago demoted Eberhard to president of technology and installed an interim CEO, argues that Tesla is a hit precisely because he hasn't sacrificed the car's performance to meet any arbitrary near-term goal. "The noteworthy thing about Tesla," Musk says, "is that it's the first electric car that is competitive with a gasoline car as a product." In other words, Musk's car is faster, cooler, and more fun to drive than a comparably priced gas guzzler. The result is that Tesla has collected deposits from 600 customers, which amounts to a \$30 million interest-free loan. Of course, Tesla's customers might have judged the car cool enough with only a single-speed transmission or uncomfortable seats or lame headlights. But there's also a chance they would have balked and bought themselves Ferraris.

Tesla's business plan calls for developing a less expensive sedan, code-named White Star, over the next few years, as well as opening a network of dealerships and service centers. The company is also working to strike a deal with a major car manufacturer (which Musk declines to name) to become a supplier of chassis and drive trains for a mass-market electric vehicle. Meanwhile, Musk is struggling to find a CEO. "We need someone who can build Tesla into the next great car company," he says.

Musk acknowledges that the kind of person he is after--someone who has a start-up mindset but understands how to build hundreds of thousands of automobiles--may not exist, which could force him into the CEO role--something he says he has no interest in doing. When I ask Musk if he'd ever consider hiring a CEO to run SpaceX, he pauses for a few seconds to reflect on the question. "This may be presumptuous, but I have not met anyone who could do this," he says, before revising. "Well, wait, that's not true. Jeff Bezos could do this. Larry Page could do this. Bill Gates could do this. But there's just a really small list of people with the sufficient technical and business ability to do this job."

Musk has taken his jet to Silicon Valley for yet another Tesla CEO interview. So I'm keeping myself busy by climbing onto the roof of a two-story house in Santa Monica, California. I'm here to have a look at SolarCity, Musk's latest--and in some ways, his best--bet. The company is based in an unassuming office park in Foster City, in the heart of Silicon Valley. But if you really want to understand what Musk is up to, the best place to go is a rooftop, far removed from the world of software and stock options and talk of innovation. Two guys in green SolarCity T-shirts, Wade Meier and Johnny Davis, are using power wrenches to attach shiny black solar panels onto the flat roof. They work carefully: Each 5-foot-by-3-foot panel costs \$950, and this house looks to be worth well over \$2 million. The installation takes six days and costs \$35,000, and it will save the homeowners about \$250 a month on their electric bill.

All over California--and before long in Arizona and Colorado--SolarCity crews in snappy green trucks and matching uniforms are signing up customers. Musk seeded the company last year with \$10 million and an idea to do for solar energy what Dell did for computers. The company, which Musk says will probably be the highest returning of his three investments, already employs some 180 in offices in Berkeley, Foster City, Los Angeles, San Diego, and Sacramento, and averages 90 installations a month. In October, it won a contract to outfit eBay's headquarters with solar panels. Revenue for 2007 will exceed \$23 million.

SolarCity's business plan, which Musk first proposed to company co-founders (and his cousins) Lyndon and Peter Rive at the Burning Man festival several years ago, is to leave panel manufacturing--an increasingly competitive and commoditized business--to the likes of BP and focus on building a retail brand. Installing solar capacity in a home or small business costs about \$9 per watt, but the panels cost only \$4 per watt. The installation business, which includes surveying, planning, sales, and the actual bolting on of panels, is expensive and inefficient. "It's all mom-and-pop contractors, and they basically suck," Musk says. "None of them have put any serious effort into honing the whole process--you know, squeezing out excess parts and labor--and then they have

no economies of scale as far as buying panels en masse or establishing best practices."

Accomplishing this has meant creating what might be the new economy construction company, amid a housing downturn. Technicians like Meier and Davis--who would otherwise be making an hourly wage working for roofers or contractors--get stock options in a company that Musk says is headed for an IPO and a nationwide expansion. They're also encouraged to try out different installation techniques--for instance, ways to drill fewer holes into a roof--and report back on their findings. "We have all the engineers' personal cell phone numbers, and they're listening to us," says Davis, a former construction worker. When a customer calls SolarCity's toll-free number, a salesperson uses satellite imagery to assess whether the house gets enough sunlight. Next, laptop-toting employees are dispatched to survey the roof, work up an estimate, and produce a contract. In addition to actual installation, SolarCity processes customers' rebate applications with the state government, remotely monitors the performance of the panels, and handles any maintenance. "Our goal is to reduce the cost of solar so that everyone can adopt clean power," says Lyndon Rive. "We definitely want to be a consumer brand."

A half hour's drive south of the SolarCity work site is another construction project, a new headquarters for SpaceX. The rocket company, which occupies five large warehouses in El Segundo, is ready for a home becoming of its grand ambitions, and Musk has picked out an absurdly large one. The building, a giant shed right next to the Hawthorne airport, takes up 11.4 acres and once housed the factory that made the fuselage for Boeing 747s. This fact seems to excite Musk immensely: To reclaim a factory from an old aerospace titan--Boeing, no less--is too good to be true.

The place is still under construction when Musk shows me around, but you can see that it will be special. The entire company will be housed on a single open floor with low-walled cubicles. Musk's cube is dead center, right behind a place where two steel girders form a giant X. When it's finished, an engineer will be able to walk right over to the manufacturing floor and see a rocket engine milled from a piece of stainless steel or a fuel tank formed from giant sheets of aluminum. Salespeople will be able to hear the factory workers welding, and the workers will pass by the salespeople when they arrive in the morning. Everyone will eat free meals in the cafeteria.

Musk designed the building's interior. Bob Reagan, who is supposed to be in charge of SpaceX's manufacturing operation, has been detailed to duty as construction foreman. After pausing briefly to urge Reagan to make sure Scotchguard is applied to the new cubicles, Musk points to some glimmering metal on the ceiling. "You're never going to see ducts like that anywhere else," he says, grinning. "Look at those contours." As we stroll onto what will become the factory floor, he again looks up. "Those are 60-foot ceilings with catwalks," he says. He pauses to marvel at the number and then adds, "If there were people walking up there, they'd be tiny." During the visit, Musk is in fine form, smiling, laughing, gawking--in fact, almost calm. There's something strange and touching about a man this intent on reaching the heavens who can pause to marvel at a really high ceiling.

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EXHIBIT 9



Immigration Daily

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Immigrants Of The Week: Martin Bashir, Michael Ansara, Junying Yu, Elon Musk, Joan Fontaine And Olivia De Havilland by Greg Siskind

Editor's note: Here are some entries from Greg Siskind's blog.

MARTIN BASHIR - BROADCAST JOURNALIST

Martin Bashir is the British-born co-anchor of ABC's long-running Nightline news show. Bashir has a reputation not dissimilar to Barbara Walters, the legendary ABC news interviewer. Both have a reputation for being able to get their subjects to open up more than most others. Bashir, formerly of the BBC, is particularly known for the confessional 1995 interview with Princess Diana that shortly preceded the divorce of the royal couple. His 2003 interview with Michael Jackson was credited with leading police to investigate the singer for criminal activity.

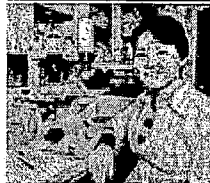
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MICHAEL ANSARA - ACTOR

Syrian-born Michael Ansara came to the US as a child and by the time he was in his early 20s, he was acting in Hollywood in a career that has now spanned more than 60 years. Ansara's most memorable roles have been in westerns and science fiction films and television shows and he is one of only three actors to play the same role in three *Star Trek* series. Fans of *Star Trek* will remember Ansara's portrayal of Kang in the original *Star Trek* television series as well as in *Star Trek: Deep Space 9* and *Star Trek: Voyager*.

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JUNYING YU - STEM CELL SCIENTIST



Two teams of researchers - one in Japan and one in the US - simultaneously have reported a major breakthrough in stem cell research today. Each team has managed to turn human skin cells in to stem cells. The ability to generate stem cells without having to use human embryos could help bypass the ethical concerns that have retarded stem cell research and history may look at today's announcement as sparking a "big bang" in research in to this extremely promising field.

The US team at the University of Wisconsin in Madison was led by Dr. Junying Yu, an American trained scientist who entered the US as a foreign student from China. Congratulations, Dr. Yu!

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ELON MUSK - ENTREPRENEUR



South African native Elon Musk is Inc. Magazine's Entrepreneur of the Year. Musk came to the US as a university student and later co-founded PayPal, a company sold to eBay in 2002 for \$1.5 billion. Now worth hundreds of millions of dollars, Musk is not resting on his laurels. He's the CEO and head rocket designer at SpaceX, an aerospace company with plans to begin launching astronauts to rendezvous with the International Space Station as early as 2011. It's more practical purpose is to launch satellites, something the company promises it can do for 25% of the cost of the current going rate.

He is the founder of electric car maker Tesla Motors, a company that Inc. calls "a rare bright spot in the otherwise troubled American auto industry." The company has already sold 600 vehicles at nearly \$100,000 each. The company's snazzy Roadster can go from zero to sixty in just four seconds.

Musk is also the founder of solar panel system designer and installer SolarCity, another industry that is taking off as oil prices soar.

Oh, and in his personal life, Musk the father of triplets with five children under the age of 4.

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JOAN FONTAINE AND OLIVIA DE HAVILLAND - ACTRESS

90 year old actress Joan Fontaine and her 91 year old sister Olivia de Havilland were born in Tokyo to British parents and immigrated to America as children. The two are among the last great leading film actresses of the 1930s and 1940s and their careers have both included award-winning roles in many of the greatest films of the 20th century.

In 1941, Joan Fontaine was nominated for an Academy Award for lead actress for her role in Alfred Hitchcock's *Rebecca* and won the following year for Alfred Hitchcock's film *Suspicion*.

Two-time Academy Award winner Olivia de Havilland is the last surviving star of *Gone With the Wind*. If you have never seen the movie, she played Melanie Wilkes, one of the four major roles in the movie. While nominated for *Gone With the Wind*, it was her roles in *To Each His Own* (1946) and *The Heiress* (1949) that earned her the Oscar statues.

The two sisters have a reputation for being rivals and that surely was put to the test when Olivia de Havilland was also nominated for best actress the same year as her sister one (Olivia was nominated for her work in the film *Hold Back the Dawn*). Sadly, the two have been estranged for most of their adult lives.

Incidentally, while I have wanted to write about both of these actresses for a while, I happened to see the very funny George Cukor film *The Women* the other night which stars Joan Fontaine along with other legendary actresses like Norma Shearer, Joan Crawford, Paulette Goddard and Rosalind Russell. The all woman casted film is being remade for release next and starring a similar all-star list that includes Meg Ryan, Carrie Fisher, Debra Messing, Annette Bening, Jada Pinkett-Smith, Cloris Leachman, Bette Midler and Candace Bergman.

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Tesla Starts Cranking, Slowly

Written by [Katie Fehrenbacher](#)

[4 Comments](#)

Posted March 18th, 2008 at 10:39 am in [Startups](#)

Note to all those Tesla customers — [Gavin Newsom](#), [Flea](#), [George Clooney](#) — that have been waiting patiently for their electric sports cars: The Silicon Valley green carmaker has started “regular” production of the Roadster. Woot-woot! That means customers who managed to get in line for the 2008 model (they’re all sold out for the year) are a bit closer to bringing ‘em home.

Well, we’re not sure how close. Tesla in early February started limited production of Roadsters with interim transmissions; it delivered the first one to Tesla Chairman and Founder Elon Musk. CEO Ze’ev Drori says on Tesla’s blog that regular production means that the company will gradually ramp-up manufacturing “in a deliberate and controlled manner” to be able to produce “over 100 Roadsters per month early next year.” **Update:** Tesla VP Sales, Marketing & Service Darryl Siry tells us that he estimates that there will be 300 Roadsters made in the 2008 calendar year. ~~The company declined to detail how many cars it would be making in 2008.~~



Update: We had thought that the regular production Roadsters would have the final one-speed transmission instead of the interim transmission, given that was the impression we got when we interviewed Musk and Drori back in December. But Siry tells us that some number of these first regular production cars will also receive the interim transmission and then get the upgrade later on. Siry wouldn’t give a date for when the final transmission would be used, just “ASAP.”

And now that Tesla is cranking out its first car, the company is working on showing off a model of its five-passenger sports sedan — codenamed WhiteStar. They’ve already decided on the car’s real name, though they aren’t telling us yet ([see some creative ideas for it here](#)), and are shooting to get it to customers by 2010.

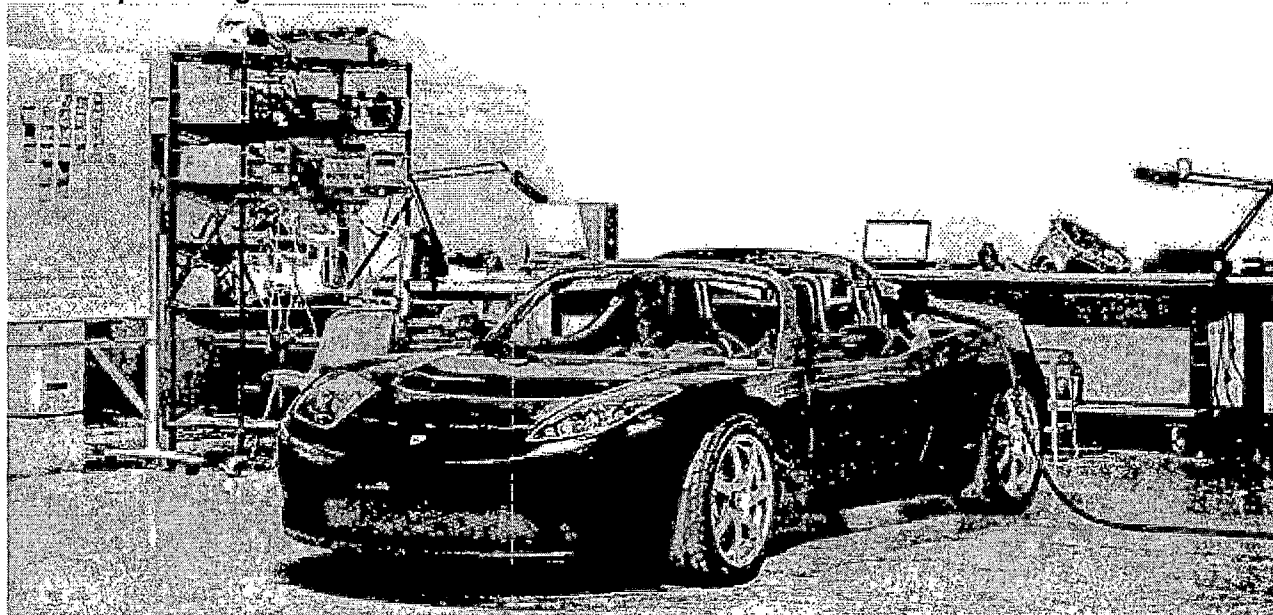
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[India’s Solar Power Heats Up](#) »

EXHIBIT 11

Tesla v. The World: Does Silicon Valley's Car Darling Have a Case?

Expert Opinion

Two years ago Tesla Motors seemed poised to teach the automotive world a lesson in innovation. The company's all-electric Tesla Roadster, unveiled in July 2007, impressed car nuts and tech geeks alike—and even garnered a Popular Mechanics Breakthrough Award. But the road to releasing a production model of the vehicle has been marked by technical glitches and executive shuffles. The first assembly-line model currently sits in Tesla founder Elon Musk's garage, but the company is now tied up in two high-profile lawsuits involving former partners. What does it all mean for the future of the electric car? We asked attorney Nilay Patel, legal analyst for Engadget, to break down the proceedings for us.



By Nilay Patel

Photograph by Nathan Perkel

Published on: April 18, 2008

Barely a month into series production of the first all-electric sports car, Tesla Motors is making more of a name for itself lately for lawsuits than for the Roadster. Lawyers for Silicon Valley's darling automaker are busy charging former partner turned rival Henrik Fisker with the theft of trade secrets related to Tesla's WhiteStar hybrid sedan, while at the same time defending the five-year-old company from breach-of-contract accusations being leveled by former transmission supplier Magna Powertrain. That's a lot of drama on the receiving end for a startup that was supposed to teach Detroit how to build a lightning car at lightning speed. What's going on here?

The Magna suit (click here to download) is pretty standard fare in the automotive world. In fact, Ford is currently in the middle of a similar dispute with engine supplier Navistar for dramatically higher stakes—several hundred million dollars instead of the \$5.6 million demanded by Magna. But even with that kind of cash at stake, truck engines (and, let's face it, Ford) aren't as sexy a grab as Tesla. The company's well-documented struggles to get an acceptable transmission in its Roadster have led to several stops and starts with both outside and inside development, and the Magna suit—if it goes much further—will give us an inside look into what went wrong. The actual dispute is pretty simple: Magna's done work for basically every major carmaker you can think of, and its lawyers say that when Tesla showed up in 2006 with a request for a two-speed transmission, Magna's seasoned engineers suggested that a one-speed drivetrain would be a better fit—but Tesla insisted on the two-speeder. When development stalled, Magna says Tesla walked away without paying.

98

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The big issue for the court will be Magna's contract, which says Tesla only has to pay up for "satisfactory services performed and any actual costs that [Magna] may have incurred" if it cancels the deal. Tesla is likely to say that none of the services performed were satisfactory, but that doesn't explain why it hasn't paid Magna's costs, and the court will still have to decide if Tesla walked away for good cause. Without looking at a mountain of paperwork from both sides, there's really no way to predict how this one will turn out, except to say that Tesla's probably not going to be too enthusiastic about sharing transmission development specs, schedules and problems with the world during trial, a fact that Magna's lawyers will likely use as leverage to get a settlement. Still, if Tesla wants to become as big a player in the automotive scene as its own marketing suggests, Elon Musk and Co. had better get used to arguing with suppliers, making nice with the rest of the industry and waiting through long development cycles—it's just part of the game, one that the company may just now be learning to play for real.

Sharing is at the heart of this week's other lawsuit (click here to download), which has a lot more going for it in terms of

melodrama. Tesla says it hired Henrik Fisker and his company, Fisker Coachbuild, to design the upcoming WhiteStar, a four-door gas/electric hybrid sedan. What Tesla didn't hire Fisker to do was soak up as much information as it could while working with Tesla and then turn around and unveil the Fisker Karma, a sleek new—wait for it—four-door gas/electric hybrid sedan. Tesla says it gave Fisker employees full access to all kinds of data and production information during the WhiteStar development process, and that Fisker stole it all to build the Karma. Henrik Fisker was previously an Aston Martin designer, not an electric-vehicle developer, and Tesla says there's no way he and his company could have up and developed a high-performance electric vehicle without stealing Tesla's trade secrets—even if he was getting more of a look at the powertrain than at the motor and batteries, which are the real meat of any plug-in car. It's worth noting, by the way, that Fisker is building its electric vehicles with components from Quantum Technologies, a big government supplier that might have developed its own under-the-hood tech.

But since Tesla remains convinced that the Karma is chock-full of Tesla's electric ingredients, it has asked for a preliminary injunction against the Karma's sale, which, if granted, means that Fisker wouldn't even be able to take pre-orders for the Karma until the case was closed. What's more, Tesla has abandoned all of Fisker's work on the WhiteStar because it claims Fisker purposefully provided substandard designs to Tesla while working on the WhiteStar so that it could get the jump on them with the Karma—so Tesla wants the \$800,000 it paid Fisker back, plus additional penalties.

Tesla's going to have to do some work to get that injunction, though. According to Matt Gavronski, a Chicago patent attorney: "In order to completely prevent Fisker from using its 'trade secret' technology, Tesla will have to show that the allegedly stolen technology couldn't have been acquired simply by taking apart and analyzing a Tesla vehicle—once the vehicle is released to the public, anything that could be reverse-engineered by a mechanic, engineer or scientist with access to the vehicle loses its status as a protectable trade secret." While the WhiteStar isn't available yet, the Roadster is technically out there already (albeit just in Musk's garage); so if there are any technical overlaps between Tesla's first two cars, the court could potentially declare them unprotected.

That's not to say that Tesla doesn't have a case—the bait-and-switch they claim Fisker pulled off would be pretty outrageous, especially if the company didn't let Tesla know it was working on its own car, as Tesla alleges. But Tesla is not going to win the case by walking away, and this isn't going to get resolved quickly. It would be surprising if the court didn't grant the preliminary injunction, though, which would push the Karma's scheduled early 2009 release closer to 2010—approximately the same timeframe Tesla has established for the WhiteStar. This could upset the whole race for major production of an electric car in the U.S., which may be the main result of this whole drama. If anything, that's a win for Tesla. Let's just hope the company that set out to upend the automotive industry achieves its competitive goals in the lab and in the marketplace—and keeps its future fights out of the courtroom.

Copyright attorney Nilay Patel works at Chicago law firm Agency 68 and covers legal affairs and all things competitive daily at the supergeek blog Engadget.

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Tesla Motors get ready for Europe

Tesla Motors have begun the push into Europe with its electric powered Roadster. The car which was recently tested by [Robert Scoble](#) driven by Tesla founder Elon Musk and hotly pursued by everyone's favourite yellow Corvette driver [Jason Calacanis](#)



On a brief Twitter chat today Tesla Vice President of Sales, Marketing, and Service Darryl Strydom gave me

some details on the new European push

1. Lots of enquiries from Norway and Denmark where future Tesla owner will pay no registration tax and are subject to favourable taxes.
2. With the weakness of the USD the Tesla roadster should come in at sub €100,000
3. The UK is the source of their largest inquiries, I presume especially London where the congestion charge is £10 per day
4. The car is now officially open for sale in Europe and they are taking deposits right now.
5. Darryl has been marketing the car using Web 2.0 strategies including Twitter which I think is a first for any auto manufacturer.
6. He has promised me the first test drive in Europe (I just made that one up 😊)
7. Tesla's first planned event in Europe will be at the Top Marques Monaco from April 24-27.

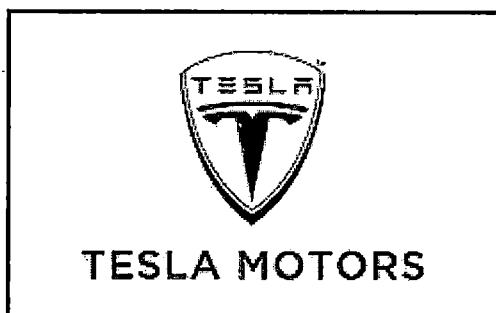
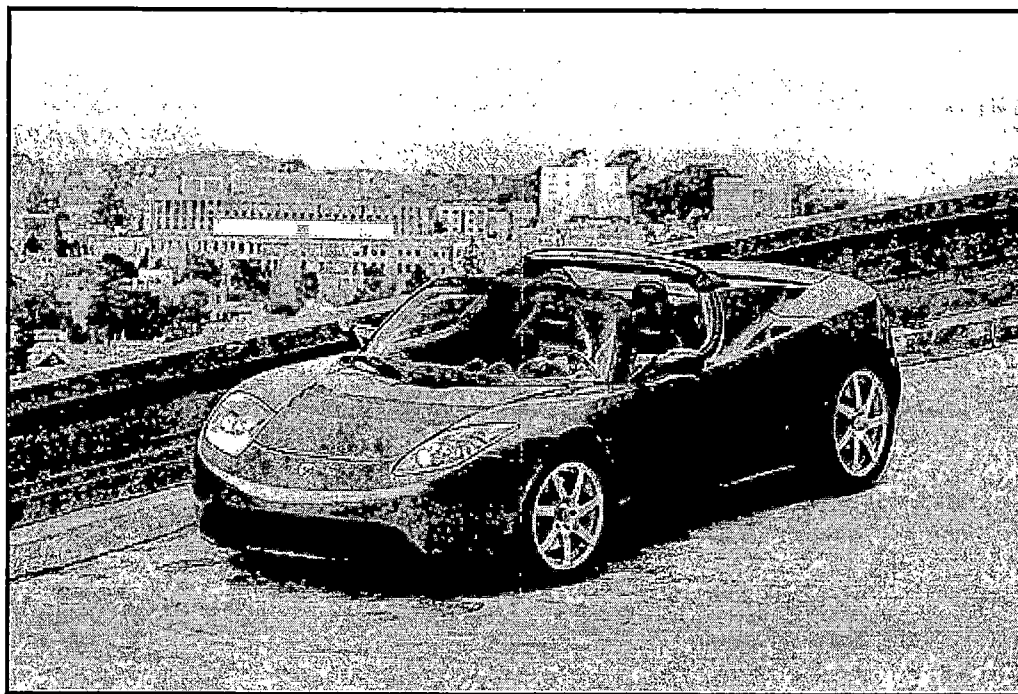


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2008



2007



Elon Musk, Cube Portrait

2008 / *Esquire's Portrait of the 21st Century*

{133 / 133} [backward](#)



Musk surrounded by images of SpaceX rockets and Tesla cars. These images, he says, represent the output of his mind.

After minting his fortune during the Internet boom of the late nineties, Elon Musk is building businesses in three 21st-century industries: space exploration, solar power, and electric automobiles. While there may be wealthier entrepreneurs who are still in their thirties, few can match the breadth or audacity of Musk's vision.

In 1999, at the age of 27, the South African native sold his Internet software company Zip2 to Compaq for \$300 million. He then co-founded PayPal, the online payment method now used by more than 20 million people. E-Bay purchased PayPal for \$1.5 billion in 2002. Now Musk is primarily focused on space exploration, as the CEO and chief technology officer of SpaceX, an aerospace company with ambitions to offer trips to the International Space Station and, ultimately, to enable humans to colonize Mars. As the chairman of Tesla Motors, Musk is behind the Tesla Roadster, a battery-powered sports car that accelerates from zero to 60 miles per hour in four seconds with zero emissions. Tesla's next project is an all-electric sedan. Musk is also the chairman of SolarCity, a solar-panel-installation company. In just one year, SolarCity has become one of the biggest installers of home solar panels in the U.S.



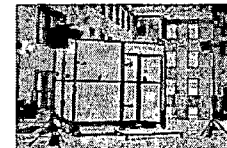
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EXHIBIT 14

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SUNDAY, MAY 18, 2008

What will I do if I discover that I am dying tomorrow?

I met a very interesting person yesterday at [TiECon 2008](#) - [Harold Katzenschlager](#). He is from a small town near Vienna, Austria and he is a "Mental Coach" as per his business card. I met him while putting sugar in my coffee in one of the break sessions at TiECon. There was an aura of calmness around him and I think this forced me to initiate the conversation with him.

I talked to him for 30 mins and he shared his experiences of his travels all over the world, how he escaped Dec 2004 Tsunami by a whisker, his experiences with people all over the world etc.

As a part of his coaching, he asks lot of open ended questions. When we were towards the end of our conversation, he asked me -

"What will I do if I discover that I am dying tomorrow?"

I struggled to find the answer. I thought about it for a while and tried to remember what I wrote in my graduate school essays (!!!). But, I couldn't come with an *impressive* answer. I gave some *random* answer and the smile on his face said it all. He knew that I was not giving the answer from my heart.

I kept on thinking about this for the rest of the day - during all panel sessions, lunch, dinner etc. My 'bulb' lit up when I was driving back from Shruti's house.

Earlier in the day, I heard [Mike Malone](#) moderating the discussion with [Elon Musk](#) (founder of Tesla Motors and SpaceX). He closed the discussion by saying:

"Ladies and Gentleman, Elon Musk, Entrepreneur Extraordinaire"

While driving back, I started thinking about how people should remember me after I am gone from this world. And the voice came from somewhere:

"Entrepreneur Extraordinaire"

About Me



Ankur Jain
Menlo Park,
California,
United States

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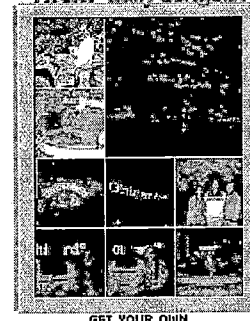
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I will become an entrepreneur if I discover that I am dying tomorrow!

Posted by Ankur Jain at 11:25 AM



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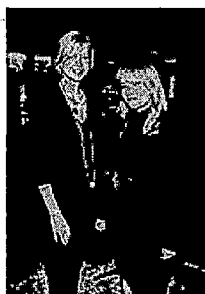
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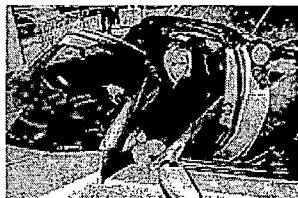


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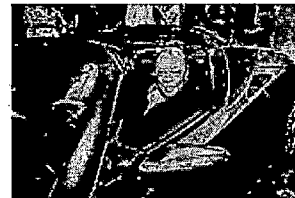


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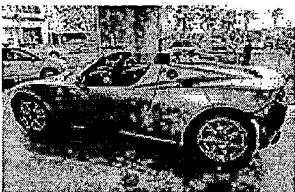
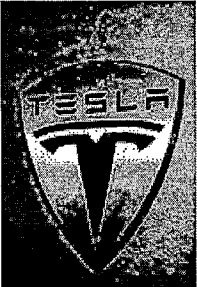
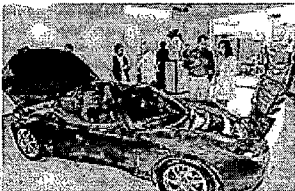
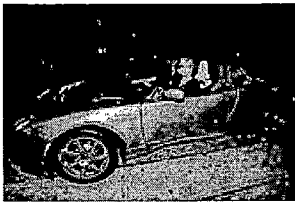
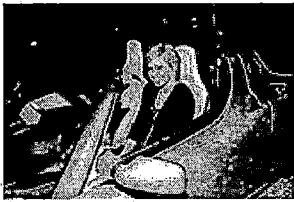
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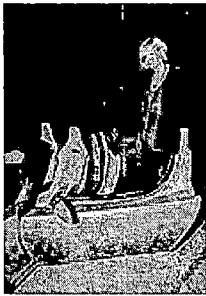
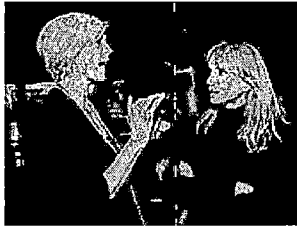
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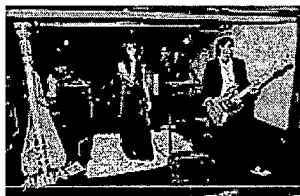


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EXHIBIT 16



Tesla opens \$2 million dealership in Los Angeles

05/02/2008, 10:52 AM

By pauloc

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Electric sports car maker Tesla opened up its first dealership in Los Angeles on Thursday, which will realistically only take orders well until next year, as the entire promised 2008 production run of 600 Roadsters has been pre-sold. The 10,000-square foot dealership is clean and open, with salaried as opposed to commissioned sales staff.

"We wanted a nontraditional automotive experience, and we have it," said Tesla founder Elon Musk of his company's first store in an *Automotive News* report.

The second Tesla store is expected to open by the summer in California's Menlo Park, with four more in New York, Miami, Seattle and Chicago scheduled by next April.

Thus far, the dealership doesn't have much to sell except a promise of clean and spirited motoring, since apparently only four cars have been produced. The young electric sports car builder hopes to have 300 cars built by December, when monthly production should grow to 150 cars a month.

The car, priced at \$109,000, is currently assembled in Lotus' England factory, with the battery pack made in California. Eventually, however, when transmission woes are worked out and a US factory is set-up, the car's production will move Stateside.

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Tesla Roadster Prices

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05/02, 11:10 AM

posted by:

400horseSS

I still want to know how electric cars affect the power grids, or maybe another retardpican president who will say were running out of electricity and we need to reduce our dependency on it.

05/02, 11:14 AM

posted by:

HemiRoadRunner

All politicians need a thorough job review, as do CEO's, just like they do the regualr workers. Then we can fire all of them and become a truley great country again. Oh, the telsa car looks ok, rather have a petro-burning supercar though, just to stay on the subject.

05/02, 11:36 AM

posted by:

Seriously

Popular Science did a good article last month on the need to replace and upgrade the nations infrastructure to include the power grid. I can't see having problems at the current demand and then being able to sustain it when everyone plugs in at 5pm.

EXHIBIT 17

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PEAK ENERGY

PEAK OIL.
GLOBAL WARMING.
VIRIDIAN SOLUTIONS.

« Home | A public policy race to the bottom »

ELON MUSK: MOST OF WORLD'S POWER FROM SOLAR BY 2040

EcoGeek has a post on PayPal and Tesla Motors founder Elon Musk and his (well founded) belief that solar will provide most of our power needs in a few decades time.

Elon Musk, the founder of PayPal and chairman of electric car company Tesla, recently said that he believed most of the world's power would come from solar by 2040. That seems remarkably optimistic to me.

At the Future in Review Conference, Musk said that in 30 years, solar thermal and solar photovoltaic power will, combined, produce more electricity than any other source. That title is currently held (and held firmly) by coal. Displacing the coal industry with renewables would require massive capital investments and innovations, particularly in power storage.

I have to say, my mind doesn't have to stretch too far to see how it would be possible. But a few things need to happen first. Solar needs to get cheaper, and photovoltaics have to stop relying on raw materials (indium / monosilicon) that are difficult to acquire. And then we need to figure out how to store the power so we can use it at night. This could be through a combination of utility-scale power storage and distributed power storage through home fuel-cell and hydrogen creation systems.

Musk, as the chairman of Solar City, a company that installs panels on houses, sometimes with no down payment at all, obviously believe in the distributed power model. The goal of Solar City is to have people pay, not for the \$30,000 panels on their roof, but for the 30 years of electricity those panels will generate. Already Solar City is projecting \$80 M in revenue for this year.

The final piece of the puzzle in getting to solar supremacy came out in Musk's speech as well. Very simply, "There should be a carbon tax."

Rob at Entropy Production has some notes on the fast growing solar PV market.

According to photovoltaic industry analyst SolarBuzz, total PV installations in 2007 were 2826 MW_{peak}, representing a growth rate of 62 % (!!!) over 2006 . By way of comparison, Worldwatch claims that PV installations were 2935 MW_{peak} in 2007.

Germany continues to be the main driver for the PV industry, although Spain is now coming on very strong with their subsidy program as well. Ontario now has a similarly (over) generous subsidy program in operation so we are starting to see many announcements for PV power plants there as well. Japan is falling behind as their subsidy program was for a fixed capacity (i.e. 100,000 homes).

Thin film is growing much faster than poly- and mono-crystalline Silicon. SolarBuzz claims growth of 123 %, from 180 MW to 400 MW of installed capacity. Since a lot of the



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newer thin-film capacity is either CdTe or microcrystalline Silicon rather than the simpler amorphous Silicon (which happens to degrade quicker), the 400 MW number is probably actually 'firmer' than the 180 MW deployed in 2006.

The current leader of the direct bandgap thin film solar industry is First Solar of Ohio. The manufacturer of CdTe thin film solar cells has gone from \$67 million in sales in the first quarter of 2007 to \$197 million in the first quarter of 2008. Net profits increased 830 %, from \$5 million to \$46.6 million. With profits being about 25 % of sales, they have a much higher profit margin than most industries, including any oil major. That tends to imply they will be able to grow their production capacity very, very fast. They are currently advertising for 105 positions. According to the above report, First Solar is selling their modules for \$2.45/W_{peak}, and since the cost of sales is 47 % of total sales, that implies a cost of \$1.15/W_{peak}.

It will be interesting to see how the CIGS manufacturers stack up. As long as the price of solar is supported by overly generous government subsidies we aren't going to see technology sorting out winners and losers in the market, however.

Update: in case you wonder what \$1.15/W_{peak} means, I calculate that for an environment with a capacity factor of 0.2 (i.e. San Francisco), when amortized over 25 years it works out to *under* \$0.04/kWh. Each peak Watt will average 1.6 kWh/annum (max of 1.75 kWh in first year, dropping by 20 % over 25 years). Assumptions: energy inflation of 2.5 %/annum, general inflation of 2.5 %/annum, interest on financing of 6.0 %/annum. You have to add in all ancillary costs onto that four cent figure (such as frames, inverter, etc.) but the point remains obvious.

Labels: elon musk, solar power, thin film solar

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Transcript for:

Elon Musk and the frontier of Technology.

Welcome to the floor of SpaceX. What they do here they think can change the future of humanity. The driving force behind it all is CEO Elon Musk. The topic before the house, Elon Musk and the frontier of Technology. This week on Think Tank.

WATTENBERG: Elon Musk, welcome to THINK TANK. We normally begin these sessions by asking you a little bit about background, where you were born, where you went to school, what you do and then we'll just pick it up from there.

MUSK: Well, I was born in South Africa, lived there until I was 17. Came to North America of my own accord, against my parent's wishes. And was in Canada for a few years. I started school there which is where I met my wife. Transferred down to the University of Pennsylvania and got a degree in physics, degree in business at Wharton. Came out to California with the intent of doing a PHD in the material science and physics [unintelligible] with an eye towards using that as an energy storage unit for electric vehicles.

I ended up deferring that graduate work to start a couple to start a couple of area companies, one of which people have heard about, such as Pay Pal.

WATTENBERG: What is that? I'm sort of a techie ignoramus. What does Pay Pal do?

MUSK: Pay Pal is the leading internet payment mechanism. It's probably like an American Express of the Twenty First Century.

WATTENBERG: What does it do that my American Express card doesn't do? I mean, I can order things on the internet with a credit card, can't I?

MUSK: Yeah you can. It's hard to explain Pay Pal by analogy since it's really a new sort of entity.

So, what that allows you to do is to send money to a business or person just by entering an email address. And the money easily transfers from your Pay Pal account to their Pay Pal account.

If you have money in Pay Pal account, it will do an internal transfer, almost like a bank transfer. If you don't have money in your account, it'll draw from your credit card or draw from your real world bank --

WATTENBERG: This was your idea.

MUSK: There were two other people involved but I was responsible for many of the core idea.

MUSK: I had just sold my first internet company which -- internet software primarily for media companies, allowing it to publish and manage contents on the web. I had also some special functionality. We also had map and directions functionality, yellow pages functionality, white pages.

And it's -- you know, when you went to a web site -- a web site like a Knight Ridder newspaper web site or New York Times you wouldn't know you would actually be using our software, but not know -- you wouldn't that you were using our software, but you would be.

So, any way, we sold that to Compaq for about 300 million dollars in cash in -- early in 99. And after I left the company and started what was originally called X.com which later became Pay Pal.

WATTENBERG: So, now we're on this most remarkable factory floor of SpaceX. I felt I've been around. I've never quite seen anything like this. What are you doing here?

MUSK: SpaceX is developing markets for taking satellites and people to orbit and beyond. So, we've finished development of and done a few test launches in our small rocket, which is the Falcon One, which you see part of over here. And we have in development a big rocket which is the Falcon 9. And that's intended to service the space station, as well as deliver very large satellites to orbit.

WATTENBERG: Did you design these or are they your concept?

MUSK: Yes, I'm the chief designer in the company.

WATTENBERG: -- designer and the businessman.

MUSK: Yes.

WATTENBERG: A good combination.

MUSK: Yeah, I think it is a good combination.

WATTENBERG: And as I understand it -- so you make your money on these by taking up other people's satellites to --

MUSK: Yes.

WATTENBERG: Satellites are used for communications, business, military, whatever?

MUSK: Yes.

WATTENBERG: Now, you want to go to Mars?

MUSK: I wouldn't say -- I mean, I wouldn't say it's a personal interest of mine to go to Mars, but really my interest in going to Mars is from the standpoint of the extension of life beyond earth. To the best of my knowledge life exists only on earth. And this is the first time in the 4 billion year history of earth that it's possible to extend life to another planet.

WATTENBERG: So, you want to go to Mars -- I mean, the way they went to Mount Everest, because it's there.

MUSK: No, no, I think in the case of the sort of flippant remark by Hillary was -- it's sort of a noteworthy achievement to have climbed the highest mountain on earth and all that [unintelligible] in the same way people want to break records of various kinds around the world, sailing journeys and that sort of thing. But this is not in that category, this is really much thicker, deeper philosophical underpinnings better financed to why I think it's important to extend life beyond earth.

It goes to the nature of importance. How do you decide that one thing is important versus another. And the layers of history -- I guess a good way to distinguish whether something is important or not.

If you look at the history of the earth upon a geological grand scale -- what are the really important milestones in the history of life itself. Forget about the parochial concerns of humanity.

Then you say, well, certainly there was the advent of single cell life, multi cellular life, plants versus animals --

WATTENBERG: invention of fire, the wheel, that kind of thing.

MUSK: That's actually a very [unintelligible] humanity. That's actually [unintelligible] factor (speaking over each other) Those are only important in the context of humanity.

WATTENBERG: Oh, I see, okay.

MUSK: I'm talking about things that are important in the context of life itself. So, you know, there's life extending -- life emerging from the oceans and moving up to land.

There's the advent of mammals, the development of consciousness. These are -- there's maybe ten or twelve things that fed on to that scale.

And then within a subset of man's achievements would be things like fire, wheel, the internet and that sort of thing.

WATTENBERG: Do you believe that there was an unmoved mover? Did something otherworldly start it all?

MUSK: I think the universe can be explained by the laws of physics and does not require any supreme being --

WATTENBERG: Let's get on to some other things. Much of the space program and its origins of course was governmental.

MUSK: Yes.

WATTENBERG: I mean it was military, it was NASA -- is the basic future of the space program and space exploration -- should that be done governmentally or

privately or both?

MUSK: Probably both. I mean, yes, space exploration [unintelligible] it's both a government and a private endeavor.

WATTENBERG: Could you operate without the government help?

MUSK: Yes.

WATTENBERG: I mean, it's reached a point where you can design your rockets and do things and you don't need to --

MUSK: Correct. We started with no government help. The government is a customer but we also have main commercial customers as well.

WATTENBERG: Who's your customer? Defense and NASA and --

MUSK: Well, we have -- assuming NASA is probably our single biggest customer -- the Defense Department, particularly DARPA is a customer.

But then we also have McDonald Detweiler, a Canadian company, a customer we recently signed up for this commercial geo [unintelligible] satellite launch contract with Avanti which is a -- the UK commercial satellite operator.

WATTENBERG: Do you find yourself at a disadvantage or advantage dealing with these great big industrial behemoths, where you're competitors are Boeing and people like that?

MUSK: I think the advantage, because it's very hard for those large companies to track the best engineers. They're really not great environments to work in. So -- you know we've been very successful in recruiting the top people out of those organizations. And they're just really inefficient -- cost inefficient.

WATTENBERG: The bigger the more inefficient something is?

[speaking over each other]

WATTENBERG: That's a pretty good rule isn't it.

MUSK: As a company grows and you get to be able to use division of labor and specialization of labor, far too many person increases.

But once you reach a certain point where the communication inefficiency overwhelms the specialization of labor, then you actually get a declining -- per employee

WATTENBERG: How fast is SpaceX growing in terms of people?

MUSK: About a 100 percent a year. But that won't continue in the future. We may have 50 percent in the future --

WATTENBERG: At what point are you worrying that you're falling victim of this idea of being too large. Is that way off in the distance?

MUSK: I think it's pretty far off yeah. I think you know we'll probably stabilize at maybe a thousand or two thousand. I think Boeing is like 100 thousand people.

WATTENBERG: Just to jump around a little bit, another one of your very noteworthy entrepreneurial activities is a new electric car.

MUSK: Yes.

WATTENBERG: Will you tell us about that?

MUSK: Sure -- and so I'm chairman and principal founder of Tesla, which -- Tesla motors, which is making a revolutionary electric sports car. It's all electric, it has almost 250 miles range. It has acceleration which is less than four seconds to 60 miles an hour. And it's about 100 thousand dollars, so it's a compelling price for car of that performance.

WATTENBERG: Will the price go down as the production goes up?

MUSK: Well, the sports car will probably remain at that price point. But Tesla is developing a lower cost car, which is a sedan, it's five passenger, four door sedan, quite large and it's intended to be something that could be a family sedan or it can replace a small -- smallish SUV. It's going to be in the 50 thousand dollar range. We'll be producing 10 to 20 thousand of these a year. Then we've got Model which will be after that and that'll be hopefully in the 30 to 35 thousand dollar range and we've got 100 to 200 thousand [unintelligible] volume.

So, we try to do higher and higher volume and they become more and more affordable over time. The Tesla Roadster, the sports car, is really the beachhead of the technology. It's the introductory product, allows us to refine the technology and make more affordable over time.

WATTENBERG: What is the purpose of building an electric car? Can it ever be as economically competitive as a vehicle powered by fossil fuel?

MUSK: Yes, actually I think the long term electric cars will be more economically

competitive than the -- than the gasoline car. Also, the price of gasoline is going to rise over time given finite supplies and rapidly increasing demand, particularly from China and India, as we've seen.

But in addition to the price of gas going up, the cost of electric transportation is going to go down, drive in part by companies like Tesla.

WATTENBERG: What is the most efficient way to create the power to charge the batteries, to charge the engine in Tesla?

MUSK: Sure -- well, first of all it should be said that the efficiency of an electric car -- the electric car by Tesla is so great that if you were to take a gallon of oil and you would put power -- use that oil in an electric power station and take the efficiency of that power station -- subtract the transmission losses [unintelligible] of the electric power lines -- subtract the charging losses. And it said how many miles do you get out of that gallon of oil versus refine that gallon of oil into gasoline and run an equivalent sized car, using that gallon of gasoline -- what you'll find is the electric car gives you at least twice as much mileage.

So, that's called the well to wheel efficiency. We do the fully [unintelligible] efficiency of a particular mode of transport. What it comes down to -- the reason -- the primary reason for that is that a gasoline engine is typically around 17 or 18 percent efficient.

So, the energy in that gallon of gasoline -- the [unintelligible] [speaking over each other]

MUSK: Basically it's roughly one part emission, four parts heat of the energy in that gallon of gasoline.

But in comparison, the electric motor is a far more efficient device. The energy efficiency of electric motors is on the order of 90 percent. So that even after you take all those charging losses and all those other things into account, just have a fundamentally more efficient engine -- motor in the case of [unintelligible]

But to answer your original question of what will charge -- we need the energy to charge the batteries for the cars and are we not simply extending the tail pipe to the power switch, so it's a long tailpipe to the power station essentially. And the answer to that is -- well, first of all, electricity is the universal currency. You can generate electricity in many ways, including renewable ways such as solar power, wind, geothermal -- and in ways which are less damaging to the environment such as nuclear and -- and then even if you would generate energy with hydrocarbons such as coal or oil or natural gas, the energy efficiency of electric transportation is so much greater that you can still be twice as better off than you would otherwise be.

WATTENBERG: Do you think we ought to be doing more to encourage the use of nuclear power in the United States. My understanding is that we have not built a new nuclear plant in about 25 years here.

MUSK: Right. It's true we've not built new nuclear plants in a couple decades. Although what most people don't realize is that the existing nuclear plants have been massively upgraded. [Laughter]

So, our percentage of nuclear power has actually not declined as much -- [speaking over each other]

WATTENBERG: About 20 percent total.

MUSK: Yeah, we should build more nuclear power plants. I think that's a better way to generate energy than certainly a coal power plant or a natural gas power plant.

Burning hydrocarbons -- I think people now recognize is a pretty bad thing. You know over time there's a certain limit to the CO2 capacity of the atmosphere and the oceans.

WATTENBERG: You came from South Africa at age 17.

MUSK: Yes.

WATTENBERG: You have been quoted as saying -- Elon you came here from South Africa at age 17, is that right.

MUSK: Yes, I did.

WATTENBERG: You were an immigrant -- a legal immigrant --

MUSK: No, no -- yes, a legal one. [Laughter]

WATTENBERG: I got to think a lot of illegals add a lot of value to the United

States. You have been quoted as saying that you are nauseatingly pro American.

MUSK: Yes, that's true.

WATTENBERG: What do you mean?

MUSK: Well, I mean, I think the United States is the greatest country that's ever existed on earth. And I think that it will be difficult to argue on objective grounds that it is not. I think the facts really point in that direction. It's the greatest force for good of any country that's ever been.

There would not be democracy in the world if not for the United States. We're obviously falling in the recent few occasions -- maybe three separate occasions in the Twentieth Century -- democracy would have fallen with World War 1, World War 2 and the Cold War, but for the United States.

WATTENBERG: And perhaps the threat of terrorism would be much greater if it were not for the United States.

MUSK: Yeah, absolutely. I think it would be a mistake to say the United States is perfect, it certainly is not. There have been many foolish things the United States has done and bad things the United States has done.

But when historians look at these things on balance and measure the good with the bad -- and I think if you do that and -- on a rational basis and make a fair assessment -- I think it's hard to [unintelligible] that the United States -- is there anything better [speaking over each other]

WATTENBERG: I have a reputation of interrupting my guests. But when they say exactly what I believe, I just let them talk and talk. I think you're 100 percent right.

MUSK: And -- you know I wasn't born in America -- I got here as fast as I could.

WATTENBERG: My sense is to use that old classical economic term, that perhaps the greatest comparative advantage we have in the United States is the fact we take in lots of immigrants, legal and to some extent illegal and we have the only really good assimilation factory in the world.

And that this provides us with such power and strength and influence -- as you said, unimaginable in human history.

MUSK: Yeah. Yeah. I totally agree. And I do agree with assimilation. I mean, it doesn't mean erasing someone's you know -- the culture that someone came from.

Because I think what actually happens is that the whole melting pot things with the cultures that people came from get added to the greater mix and actually enriches the diversity of the country more than if people simply retain their -- you know their original country's culture unmodified, which seems like an odd thing to me.

Because if you want the unmodified culture of your original country, then why would you move.

WATTENBERG: Well, you know they say there's a lot of public opinion [unintelligible] evidence to that effect that immigrants are more patriotic than Americans. Because those of us who were born here were born here and you know most Americans love their country, but they didn't make the rational choice to say this is where I'm going to hang my hat.

And the levels of -- I mean, America -- all the transnational polling shows that this is the most patriotic country in the world, but at the top of that high rating, its immigrants were saying this is a great place.

MUSK: Sure absolutely.

WATTENBERG: What is the X Prize?

MUSK: Well, the X Prize Foundation is an organization that creates these prizes for things that -- things are important -- for which there should be an incentive to get to happen.

And, so, there are actually many X Prizes. There's the subliminal X Prize which was won by [unintelligible], sponsored by Paul Allen.

WATTENBERG: Who sponsors the X Prize?

MUSK: Well, it varies. So in the case of the subliminal X Prize there were many sponsors. In fact I was one of the sponsors. But the main sponsor was [unintelligible] Ansari. So, it's called Ansari X Prize. [unintelligible] Ansari, actually, so the Ansari family sponsored several X Prizes.

WATTENBERG: [unintelligible]

MUSK: But there are others. For example, there's a genomics X Prize for low cost decoding of the human genome and that's sponsored by Craig Venter [phonetic].

WATTENBERG: One of our -- my occasional cohosts on this program is Francis Collins who is the Director of the Human Genome project at NIH.

MUSK: Oh, yeah.

WATTENBERG: We just did two programs with him. He's a very remarkable guy. Revenues in your company have been going in what direction?

MUSK: Up quite dramatically.

WATTENBERG: How much percentage per year -- is that the way to measure it?

MUSK: Sure, well, of course SpaceX revenue have been growing about 150 to 200 percent a year. For Tesla -- well Tesla is kind of a -- Tesla will only start shipping cars next month and, so, real actually recognized revenue would only occur. So, the percentage would be ridiculously gigantic.

So, part of it would [unintelligible] revenues percentage standpoint. But suffice it to say that next year Tesla will probably do 60 or 70 million dollars in revenue.

WATTENBERG: SpaceX is already profitable.

MUSK: Yes.

WATTENBERG: Tesla obviously cannot be profitable.

MUSK: It's not profitable yet.

WATTENBERG: Now, you are not a public -- none of your ventures are public?

MUSK: None of my major ventures are public.

WATTENBERG: But they may well become --

MUSK: Correct. I suspect over time all three of my most significant ventures will become public companies, SpaceX, Tesla and Solar City.

WATTENBERG: And the reason for this is to provide more capital to expand.

MUSK: Yeah go public -- provides more capital to expand, it provides some measure of liquidity for investors in the company and it's also helpful as a currency for acquiring other companies.

WATTENBERG: Is that what you'd like to do --

[Break In Interview] [CHANGING TAPES]

WATTENBERG: So, you want to go public and issue stock?

MUSK: Well, I wouldn't say -- I said public is a -- going public is a consequence of you know a certain maturity level of the company down the road. But I wouldn't -- I wouldn't go public as a goal. It's not really a goal, it's --

WATTENBERG: One of the reasons that entrepreneurs go public if they have ambition -- is to use the stock to buy other companies -- [speaking over each other]

MUSK: Absolutely.

WATTENBERG: You were [unintelligible]

MUSK: Absolutely

WATTENBERG: And that's what you want to do?

MUSK: Among other things, certainly one of the reasons.

WATTENBERG: How big would you like to grow in your mind's eye? Very very very big or medium big, I mean, do you want to be as big as Microsoft?

MUSK: [Laughs] Do I want to be as big as Microsoft.

WATTENBERG: Well, somebody -- Gates did it, it's not inconceivable.

MUSK: Well, the size of the company market cap isn't really a metric by which I would judge my own achievement.

I'm much more interested in the case of Tesla, Solar City, making impact on climate change and CO2 production and energy independence for those two companies and the case of SpaceX -- really primarily interested in making progress towards helping [unintelligible] become a space [unintelligible] civilization and ultimately extending life beyond earth.

As a result, I expect that the companies will be valuable. Because it would be hard I think to accomplish those objectives and not be a valuable company.

WATTENBERG: Well, it's very interesting. I have am, you know, in awe of what you guys do, not only because you create goods and services that we all need. But you know I was deeply involved in the whole cold war struggle.

And you know SDI -- Star Wars -- probably never would have worked

[unintelligible] hitting a bullet with a bullet when they have 25 thousand MRVS. I mean, you can hit a few of them.

But it's very interesting it may have been the most successful military program in history, put a few million bucks in it, give it to the Russians -- scare the hell out of the Russians.

Now, the question is why did it scare the Russians. It scared the Soviets because it was basically -- this industry was created by a bunch of guys in their backyards diddling around. They didn't allow kids to diddle around in their backyards if it was against state policy.

So, they said, they can do it and we can't do it. And, so, they started making deals which they would not have made if they weren't afraid of SDI, which was nothing really to be afraid of.

But again I mean, [speaking over each other] my world view on this thing is the best thing we have going for it is [unintelligible]. It shows up in the market place, it shows up in health, it shows up in longevity, it shows up in technology, it shows up in politics and geo politics and -- you know, within certain limits. If you allow free people to do things, they do great things.

MUSK: Yeah I agree absolutely.

WATTENBERG: Okay -- now let me ask you this: Who are your heroes?

MUSK: My heroes. Well, Winston Churchill, Thomas Edison -- I mean, I could go on with this long list, I suppose.

WATTENBERG: Any of the American techie guys, the guys who were doing the sorts of things you are doing?

MUSK: Oh, you mean [unintelligible]

WATTENBERG: Yeah, you're case. Go ahead counselor.

MUSK: [Laughter] Well, for people that [unintelligible] contemporary -- I mean, I think Larry and Sergey at Google. I suppose they're my heroes -- they're also my Friends.

WATTENBERG: Did you hang out socially with these guys?

MUSK: Yes.

WATTENBERG: Is there anyone in the political world that you admire now particularly

MUSK: Who's alive today?

WATTENBERG: Yeah, who's alive today. Is there anyone you admire, is there anyone you detest?

MUSK: Who do I admire?

WATTENBERG: Yes.

MUSK: [pause] You know I'm not a huge admirer of politicians in general.

WATTENBERG: Most Americans aren't. [Laughter]

[speaking over each other]

WATTENBERG: It's very interesting -- I mean, I think it's a very healthy sign that the country's okay and people don't like politicians and don't choose to vote. I mean, they say I got better things to do at the moment.

MUSK: Yeah I wouldn't say I'm a huge admirer of anyone in particular on the political stage today. I mean, historically I would say Winston Churchill -- on of the greats; you know maybe Teddy Roosevelt, Disraeli.

WATTENBERG: What about the more recent ones. Do you think Reagan did a good job?

MUSK: Yeah, absolutely. I think Reagan was great. Actually I think he was -- he should be up there among one of the great -- as one of the greater [unintelligible] Presidents.

WATTENBERG: How about Bill Clinton?

MUSK: Probably certainly above average as American Presidents go, not quite as good as a lot of people would make him out to be. I think if you look at the actual track record on things like Rwanda, should have taken action.

WATTENBERG: What do you think of the President incumbent, George W. Bush?

MUSK: You know, George Bush is like Reagan without the brains.

[Laughter]

MUSK: Reagan was a smart man.

WATTENBERG: It's funny, that's what they said about Reagan and he didn't have any brains and he had a lot of brains.

You don't need knowledge to be a good President, you need that V thing, the vision thing and I think Reagan had it. I think Bush has it. People disagree. To say, you know, the analogy is you can't turn your boat around -- the ship around -- you got to say -- it's an ocean liner -- you move it -- and Reagan had the ability -- I sort of think Bush does -- but history will tell -- to say well take it over that way and don't bother me with the details. You know what I want. You know Kennedy and Reagan they brought something to the table that you can't put a price on. They made Americans feel very good about themselves. Now Kennedy didn't do a whole lot, he died. He was killed too early. But for those years, people all around the world in America were saying that's what America is like.

MUSK: I think the current President Bush does the right thing, in his view. But the really -- the big difference President Bush -- current Bush -- and Reagan -- is that Reagan actually had strong intellectual underpinnings for his decisive actions. He read -- he read a lot of books. He thought deeply about the subjects.

And particularly prior to the stroke, his writings were actually quite smart. He was a smart guy--

WATTENBERG: Elon Musk, thank you very much for joining us on THINK TANK. Please come back again -- and thank you -- and thank you please remember to send your email comments to THINK TANK. We think it makes our program better. For THINK TANK I'm Ben Wattenberg.

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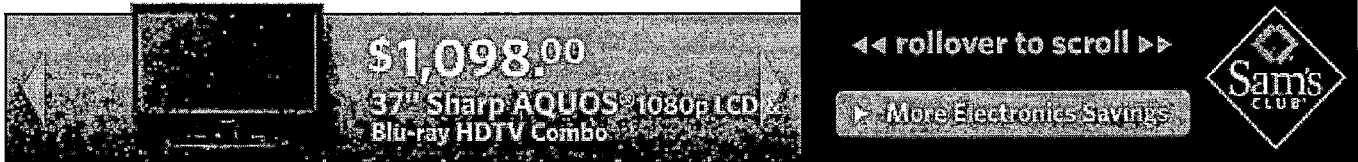
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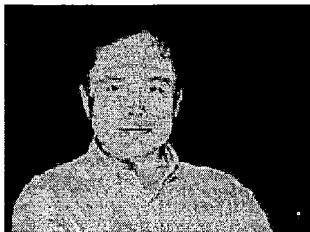
EXHIBIT 19



Filed under: **EV/Plug-In, AutoblogGreen Q & A, Tesla Motors, AutoblogGreen Exclusive, Green Daily**

AutoblogGreen Q&A: Tesla Motors Chairman Elon Musk Pt. 1 - In the beginning

by **Sam Abuelsamid** on Jun 23rd 2008 at 8:22PM



Among the readers of this site, one of the cars that elicits a lot of passion is the Tesla Roadster. The battery-powered Roadster and its provenance have elicited a great deal of discussion over the past nine months, in particular since the demotion and ultimately **the departure of co-founder Martin Eberhard**. This is a complex tale involving passionate entrepreneurs with that all-too-common but in many ways necessary human frailty known as ego. When humans interact, they often see the same results through their own mental filters.

People can see exactly the same thing and interpret it in many different ways. Unfortunately in today's media landscape, particularly on television, but also in blogs we often see a very cut-down sound-bite version of things. Sound-bites by definition are taken out of context. In and of themselves they often lead to incorrect or at least inaccurate conclusions.

With all of that in mind I was recently contacted by Tesla Motors Chairman Elon Musk. Musk wanted to discuss his role at Tesla, and hopefully fill in some of the gaps in the story. What follows after the jump is the phone conversation that I had with Musk recently as well as some comments from Martin Eberhard via e-mail exchanges. Eberhard's version of events is italicized.

Update: Just to be clear Elon Musk contacted me immediately after a previous article where I called into question his role in the development of the Roadster. He wanted to clear up what he felt were misconceptions of his role rather than to pitch a story idea about him.

ABG: Why don't we start with how you got involved with Tesla to begin with.

Elon: So, the way I got involved was in 2003, I think it was in September or October, I had a lunch with JB Straubel and Harold Rosen. Harold Rosen was kind of a space guy, Harold had a space background and a car background. He was with Rosen Motors. But before that, he was an engineer at Hughes and he came with a number of innovations for the early geosynchronous satellites. So, he kind of had, like me, a combination of space, and electric car interests. So Harold called me up out of the blue and wanted to have lunch and brought

along JB Straubel. And during lunch, he talked about space stuff, and he talked about electric car stuff because I had mentioned the reason I first came out to California was to do a Ph.D. at Stanford in a higher density capacitors to use in electric vehicles. And we talked about lithium ion and what that meant for electric vehicle range. The EV1 had a range of about 120 miles or so with Nickel Metal Hydride and so if you did a direct substitution of lithium ion for nickel metal hydride, which has directly 2x the energy density you get to around a 240-250 mile range, which would be acceptable to people. JB mentioned that there was this company, AC Propulsion, that had actually put together this electric sports car, which did in fact deliver range of that order and acceleration from 0 to 60 under 4 seconds.

So, he offered to introduce me to Tom Gage, the guy from AC Propulsion, which he did, and Tom Gage came by and gave me a test drive with the tZero, I said, "wow, this is really awesome." This is exactly what I thought should be done and I tried to buy one. He wouldn't sell it to me and I said, "Look, you should really go into production with this thing, productize the tZero. But they didn't want to do that. I don't know if you're familiar with AC Propulsion...

ABG: I'm familiar with them and I've talked to Martin previously about AC Propulsion as well.

Elon: Yes, so anyway, I tried at length to get AC Propulsion to at least make me one bloody car, even if they wouldn't go into production with the thing, but they wouldn't do it. I even tried to get them to convert my Porsche to electric, and they wouldn't do that either. And in addition, after bargaining for a bit, Tom Gage said, "Well, you know, we aren't interested in doing that but there are these three guys who are and said, "Do you want to meet Martin (Eberhard), Marc (Tarpenning) and Ian (Wright)." I said, "Sure."

*This is actually very similar to the path that Eberhard himself took before launching Tesla. When we **spoke to him last year** he also discussed being inspired to start Tesla after AC Propulsion declined to produce the tZero. In essence the true stimulus for the creation of the Tesla Roadster might have been Tom Gage and his resistance to following the path that Eberhard and Musk ultimately took.*

So Tom gave Martin and Ian my card and they came by SpaceX and gave a presentation. Well, there are a few things that I disagreed in what they showed. I wanted to have a company-owned sales and service infrastructure, they wanted a dealership infrastructure. And I didn't want to be a niche sports car company. I wanted it to be something that would aim for the mass market as soon as possible. So it's a sports car at the intro, but we wouldn't stay there; we'd go mass market as soon as possible.

Those were the two big changes that I had. Apart from that... I said let's move forward and create a production version of the tZero. So I provided essentially, all of the Series A funding. There wasn't any Tesla Motors at that time.

This was in March/April 2004. According to Eberhard, Tesla Motors had been incorporated on July 1, 2003 but it consisted only of himself, Tarpenning and Wright at the time. None were drawing any salary.

It was just basically Martin, Marc and Ian working part-time and a sort of business plan that was a kind of a weak business plan actually. That's all Tesla Motors was when I invested. I provided essentially entire Series A round, over 90 percent of it. There were a few small VC investments and a few small individual investors.

So, to kick things off, that's how things started off with AC Propulsion and basically, from my standpoint, it's started off with a conversation with JB Straubel, who by the way, a few months later called me up and said he's thinking about joining Tesla and had wanted to know if I thought it was a good idea. I said, "Well, definitely because I'm investing in it. So JB joined and became Chief Technology Officer and was really the key guy responsible for developing the differentiated technology.

Eberhard confirms that Straubel was hired as a Drivetrain Engineer about one month after the Series A funding

closed and was employee 6 or 7. Straubel contributed to the development of the powertrain from the original AC Propulsion design. Straubel wasn't promoted to Chief Technology Officer until a year later after managing the design and construction of the dynamometer used to test Tesla's powertrain.

ABG: Once you got involved with Tesla, beyond the obvious fund raising role that you've had through the first four series of fund-raising, what else has been your role with Tesla?

Elon: Well, I'll just give you a little more detail on the financing side. I provided essentially all of the series A, about 90 percent of the Series A, about 90 percent of the Series B. I co-led the Series C, co-led the Series D and led most recent round. So I put a total of \$55 million. In as far as, non-financial investment... I'm not a venture capitalist. I'm a technologist.

I'm a product design guy. So I'm not running around looking for things to invest in. In fact, if I didn't think that it was extremely important that we accelerate the advent of the electric car, I wouldn't even be bothered with Tesla; this is a huge distraction from my space activity. You know, I put about 25 percent of my time into Tesla and my workweek is about a hundred hours a week so it's somewhere around 25 hours a week that I put into Tesla, on average.

In the last year, it's been closer to 40 hours, 40 to 50 hours trying to correct a lot of problems. But as far as my involvement, Initially, I spent a lot of time on the body design, a lot of time on the product spec and making sure that this would be a compelling car, at a compelling price.

Our biggest fear was that this should become a sort of DeLorean, where you have a car that looks like a sports car but doesn't perform like a sports car. It's got to be something where people say, "You know what, I think it's really worth the money that I'm paying for it, and that I'd buy this even it wasn't an electric car, just based on the objective performance specs."

So, one of the things that Martin mis-characterizes is that I was hugely insistent on a two-speed. This is not the case. I was hugely insistent that the car be a real sports car. The path that I actually wanted to take is the path we're currently taking, which is, upgrade the motor power and have a single speed so that the upgraded motor with a single speed encompasses the performance that we promised people, the 3.9 second 0 to 60, 125-mile an hour top speed. That's the path that we're on right now. That's the path that I always wanted to be on.

Eberhard's version does not vary dramatically here. "He [Musk] did, very early on, push us to make the 2-speed transmission that I had proposed as a model year 2 improvement become a part of the model year 1 spec." Eberhard was prepared to launch the car with a single speed transmission and lower performance much like the current early production cars being built now. Eberhard's plan had been to switch to the 2-speed later rather than increase the power.

ABG: When you first got involved, how far along was the design of the Roadster? Was it anything more than just essentially a spec sheet based on a combination of the specs of the tZero and the Lotus Elise or have they actually gone beyond that at that point?

Elon: Yes, that's it. There wasn't any there, there. I can send you a copy of the business plan.

ABG: I have a copy of the Executive Summary of the business plan

Elon: Which version is it? What's the date?

ABG: There isn't a date on this one but I think it's pretty early up. I got this from Martin and I understand that this is what he first showed you. This one still lists the idea of having high-end sports car dealers sell the car and describes the specs that ultimately became the Roadster. But it was clearly, prior to there being any actual

drawings of it. So, I believe this is from sometime in 2003.

Elon: Okay, that sounds about right, that sounds like the original. When I invested, there was no there, there. They didn't even have an office. It was three guys working, it was Martin, Marc and Ian working part time.

According to Eberhard, he, Tarpenning and Wright were working out of an office in Menlo Park but were not drawing any salaries yet.

Elon: So there was zero done on this thing, yes.

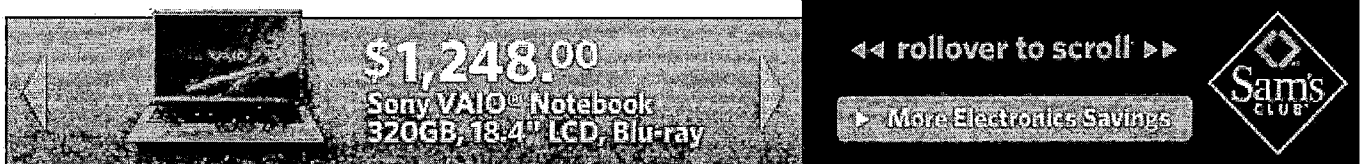
This statement appears to be something of an exaggeration. According to Eberhard, "In the business plan, we had worked out the basic dynamics of the car well enough to know that the Elise chassis was up to the job, that the weight of the car, combined with the power of a drive system comparable to that of AC Propulsion would give us the speed and acceleration we sought, etc. All of the early engineering work we did was to prove that the basic idea of the Roadster was feasible - would the drivetrain components fit? Could we fit a large enough battery pack? How big would that battery pack be, what would it weigh, and what would it cost? If increased the weight of the Elise, what would its handling characteristics be? How would that compare to other sports cars?"

So, Eberhard had done some preliminary engineering work, essentially conducting a feasibility study, concluding that the concept was a viable one. A feasibility study is however far from a complete vehicle design.

Coming tomorrow in **Part 2:** Musk and I discuss the development of the powertrain, particularly the decision to go with a two-speed transmission. We also get some more feedback from Martin Eberhard.

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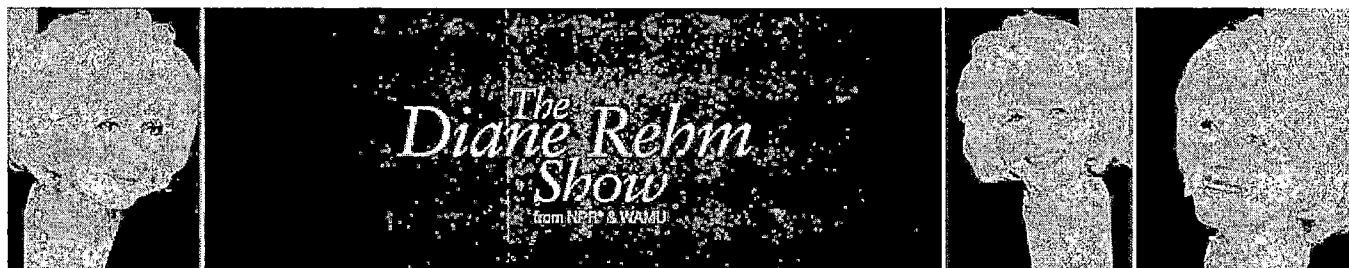
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Sunday, Aug. 10, 2008

10 - "As We
Forgive" (Rebroadcast)

Monday, Aug. 11, 2008

10 - Russian strikes in Georgia

11 - Senator Mel Martinez: "A
Sense of Belonging"

Tuesday, Aug. 12, 2008

10 - Student Loans and the Credit
Crunch

11 - Marie Brenner: "Apples and
Oranges" (Sarah Crichton
Books/FSG)

Wednesday, Aug. 13, 2008

10 - The National Debt

11 - Mary Ellen Geist: "Measure
of the Heart" (Springboard)

Thursday, Aug. 14, 2008

10 - State Initiatives Restricting
Abortion Access

11 - Electric Cars

Friday, Aug. 15, 2008

10 - News Roundup - Hour 1

11 - News Roundup - Hour 2

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10:00 State Initiatives Restricting Abortion Access

Two years after voters in South Dakota overturned a strict ban on abortion, a new measure on the November ballot could eventually reach the Supreme Court. A look at initiatives in South Dakota, Colorado and California that would limit a woman's access to abortion. Diane and her guests will also discuss the American Psychological Association's report on abortion and mental health.

Guests

Stephanie Simon, staff reporter for The Wall Street Journal.

Brenda Major, psychology professor at the University of California, Santa Barbara and Chair of the American Psychological Association's Task Force on Mental Health and Abortion

Marcia Greenberger, founder and co-president of the National Women's Law Center

Wanda Franz, president of the National Right to Life Committee and a developmental psychologist and professor emerita of child development in the division of Family and Consumer Sciences at West Virginia University in Morgantown, West Virginia.

11:00 Electric Cars

High gas prices and concerns about emissions have many drivers searching for alternatives – including vehicles powered by electricity. A look at new developments in the effort to mass produce affordable, safe, and easy to charge electric cars

Guests

Les Goldman, attorney in private practice representing A123

Chelsea Sexton, co-founder, Plug In America

John O'Dell, senior editor, Edmunds.com
www.greencaradviser.com

Elon Musk, founder and chair, Tesla Motors

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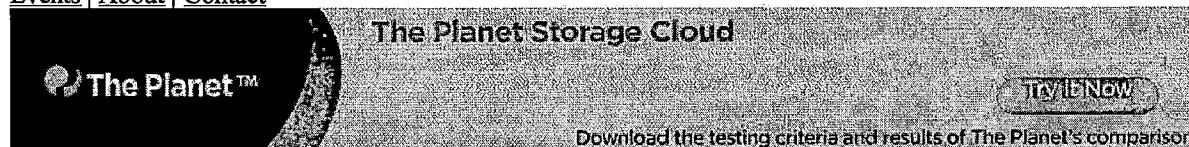
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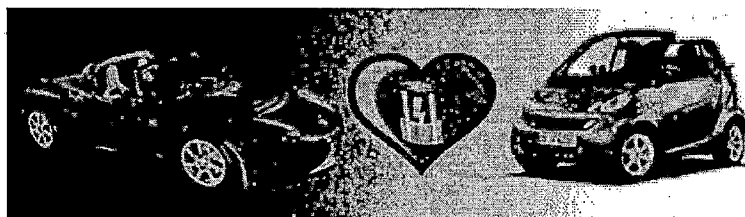
Tesla Has At Least One Smart Deal: Daimler

Written by [Josie Garthwaite](#)

[3 Comments](#)

Posted January 13th, 2009 at 1:00 pm in [Automotive](#), [Startups](#)

It's official: [Tesla Motors](#) plans to supply battery packs and chargers for the 1,000 electric Smart cars Daimler AG has slated for release in the U.S. in 2010. Tesla founder and CEO Elon Musk announced the deal today at the Detroit Auto Show, confirming rumors that the [two companies were getting cozy](#).



The Financial Times [reported last summer](#) that Tesla would supply batteries for the 150 cars Daimler planned to deploy in Berlin — and possibly the expanded test fleet of up to 1,000 cars in several European cities. But Musk told the [Detroit Free Press](#) today that the company's battery technology will be used in the U.S. rollout.

"If the 1,000 vehicle fleet makes sense and the economics are compelling, that will expand to tens of thousands of vehicles per year," Musk said. This represents the first outside supply agreement for the as-yet unprofitable startup, which [has cited its powertrain supply unit](#) as a profitable core.

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[...] 20 g's more. On quite a much more positive note, the company announced they'll be supplying Daimler AG 1000 lithium-ion battery packs for the production of Smart EVs. Apparently if all goes [...]

[tinyComb](#) » [Blog Archive](#) » » [Detroit Auto Show Paints Itself Electric, Green](#) said on January 19th, 2009 at 8:18 am

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Tesla rolls out new sedan

STORY HIGHLIGHTS

- Tesla says manufacturing plant will be in California; hundreds of jobs possible
- The all-electric Model S sedan will go for a base price of about \$50,000
- Tesla's challenge: Will consumers pay that much for a car in recessionary times?
- The company hopes to make 20,000 Model S sedans a year

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From Carey Bodenheimer
CNN

TMNT 2008

LOS ANGELES, California (CNN) – While automakers lay off staff and shut down plants in response to the economic downturn, one automaker announced Thursday that it will open a manufacturing plant in the United States, potentially creating hundreds of jobs in the area eventually chosen.



Tesla unveils its Model S sedan, with a base price of \$57,400. The manufacturing plant will be in California.

Tesla Motors, maker of a high-end electric sports car, says it will build an all-electric sedan in Southern California.

Thursday's announcement was made in Hawthorne, California, where Tesla unveiled the Model S sedan at a base price of \$49,900, after a federal tax credit of \$7,500.

That's less than half the price of its first model, the Roadster.

Started in 2003 and bankrolled by PayPal millionaire Elon Musk, Tesla has attracted investments from the Silicon Valley elite, among them Google founder Larry Page.

It is widely believed that the Model S sedan will be built near the Space Exploration Technologies Corporation facility in Hawthorne. That aerospace

company, more commonly known as SpaceX, was founded by Musk in 2002.

SpaceX recently won a NASA contract to deliver cargo to the international space station when the space shuttle program is retired next year. That contract, worth \$1.6 billion, was won over such industry mainstays as Boeing and Lockheed.

The promise of a high-performance, all-electric vehicle became a reality with the startup's first model, the **Tesla Roadster**, a car with the look, speed and price tag – a steep \$109,000 and up – that rivals other high-end, high-performance vehicles.

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Recently though, the economic downturn has forced Tesla to delay production of their would-be flagship Model S until 2011. They've also had to lay off more than 80 workers, which is about 25 percent of the company's staff.

Nonetheless, **Tesla** predicts it will manufacture 20,000 Model S vehicles a year. That would make it more of a mass-market vehicle than the Roadster; only 1,200 of which are produced yearly.

The company faces many challenges, the foremost of which is convincing consumers to pay almost \$50,000 for an **all-electric sedan** when they could pay thousands less for another brand of upmarket sedan or a gas-electric hybrid. [E-mail to a friend](#) | [Mixx It](#) | [Share](#)

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The Tesla Motors Team

Elon Musk

Chairman, Product Architect and CEO

As Chairman, Product Architect and CEO, Elon Musk drives the development of Tesla's product strategy, product development and design efforts. Elon has been involved in key product decisions since the start of Tesla Motors, co-leading design of the Tesla Roadster, for which he won an [Index](#) and a [Global Green](#) award, the latter presented by Mikhail Gorbachev.

Elon has influenced the design, performance goals and technology roadmap of the Tesla Roadster from the early developmental phase to the finished product in production today. Today, Elon is working with other members of the team to drive continuous improvements in the Roadster while preparing the company's second car, a sports sedan, for mass production.

He also serves as Chairman of Tesla Motors and has been the principal funder of the company, having provided the Series A and B funding and co-leading the Series C, D and bridge financings. Elon is also CEO and CTO of Space Exploration Technologies (SpaceX) and Chairman of the board of Solar City. Previously, Elon co-founded Zip2 and PayPal.

Mike Donoughe

Executive Vice President Vehicle Engineering and Manufacturing

Mike Donoughe is a veteran of the automotive industry, having served at Chrysler in various positions for over 24 years. As EVP Vehicle Engineering & Manufacturing, Mike oversees the Model S and Roadster programs, as well the manufacturing, operations, quality and supply chain functions of the company.

Donoughe was previously Vice President of 'Project D' at Chrysler, where he led the redesign of their global mid-size vehicle portfolio. Prior to that, he led various product creation efforts, including the Stow N Go minivans, Jeep Wrangler and Dodge Ram programs. Mike also spent 3 years with Mercedes Benz in Stuttgart as Director of passenger car development, M and R Class, and is recognized as one of the top engineers in the auto industry.

Mike has been married to his wife Shelly for over 26 years, and they have 3 grown children - David (24), Kaitlin (22), and Kelly (21). Mike and his daughter Kelly have established Cornerstone Youth Development Fund, a non-profit organization focused on helping youth in Eastern Africa countries and inner city Detroit. Prior to joining Tesla, they made a trip to Uganda to work with orphanages and schools in the Kampala and Kiboga regions. In his spare time, Mike enjoys weightlifting, running, golf, hiking and reading.

JB Straubel

Chief Technical Officer

The story of JB Straubel's career started at a junkyard in Wisconsin, where, at the age of 14, he discovered a discarded electric golf cart and decided to rebuild it. Thus began a lifelong fascination with energy work and electric vehicles.

At Tesla Motors, JB oversees the technical and engineering design of the vehicles, focusing on the battery, motor, power electronics, and high-level software sub-systems. Additionally, he evaluates new technology, manages vehicle systems testing, and handles technical interface with key vendors.

Prior to Tesla Motors, JB was the CTO and co-founder of the aerospace firm, Volacom, which designed a specialized high-altitude electric aircraft platform using a novel power plant. At Volacom, JB invented and patented a new long-endurance hybrid electric propulsion concept that was later licensed to Boeing. Before Volacom, JB worked at Rosen Motors as a propulsion engineer developing a new hybrid electric vehicle drivetrain based on a micro turbine and a high-speed flywheel. JB was also part of the early team at Pentadyne, where he designed and built a first-generation 150kW power inverter, motor-generator controls, and magnetic bearing systems.

Armed with a bachelor's in energy systems engineering and an master's in energy engineering from Stanford University, JB left the cold winters of Wisconsin for good. He now lives in Menlo Park, Calif., where he continues to indulge his passion for electric transportation: he built an electric Porsche 944 that held a world EV racing record, a custom electric bicycle, and a pioneering hybrid trailer system. JB is also an accomplished pilot.

Deepak Ahuja

Chief Financial Officer

Deepak Ahuja brings more than 15 years of global automotive financial experience to the Tesla Motors team. As Chief Financial Officer, Deepak brings invaluable insight of a well-versed industry veteran to help Tesla Motors become a leading automobile company in the world.

Prior to joining Tesla Motors, Deepak was the Controller of Small Cars Product Development at Ford with the goal of bringing several exciting fuel efficient automobiles to the North American market. Previously, Deepak was CFO for Ford of Southern Africa, a \$3 Billion subsidiary where he oversaw the finance, legal and IT functions. Prior to that, Deepak served as CFO for Auto Alliance International, a joint venture between Ford and Mazda with over \$4 billion in revenue. His career at Ford included assignments in all aspects of the business, including Manufacturing, Marketing and Sales, Treasury, Acquisition and Divestitures.

Before joining Ford, Deepak worked as an engineer for Kennametal, Inc. near Pittsburgh, PA for almost 6 years and developed two new ceramic composites cutting tools for machining of aluminum alloys in aerospace and automotive industries.

Deepak, his wife and two daughters have moved from Michigan to Silicon Valley, where Deepak will spearhead financial initiatives out of Tesla's San Carlos headquarters. In his spare time Deepak enjoys playing racquet ball, spending time with his kids and hiking. He loves cooking Indian food on special occasions just to have fun with his friends and family.

Deepak holds bachelors and masters degrees in Materials Engineering from Banaras Hindu University and Northwestern

University, respectively and an MBA from Carnegie Mellon University.

Michael van der Sande

Senior Vice President of Global Sales, Marketing, and Service

Michael van der Sande oversees sales, marketing and service. He spent 12 years at Harley-Davidson, most recently as vice president and managing director for operations in Europe, the Middle East and Africa, where he oversaw more than 370 dealerships in nearly three dozen countries. He served in several other executive positions for the iconic American motorcycle company, including director of strategic planning at corporate headquarters in Milwaukee, Wisconsin. Prior to Harley, van der Sande held various marketing and dealer development roles at Nissan Europe and Rolls-Royce and Bentley Motor Cars.

Van der Sande is a Dutch native who speaks four languages fluently and has lived in seven countries. Van der Sande, whose grandparents drove in the famed Monte Carlo Rally in the French Riviera, holds a racing license and has been fascinated by classic and sports cars since childhood. He lives in the United Kingdom and works in Tesla's London office and the company's Silicon Valley headquarters.

Diarmuid O'Connell

Vice President of Business Development

Diarmuid joined Tesla in 2006, and currently operates as the Vice President of Business Development. Prior to joining Tesla Motors, Diarmuid served as Chief of Staff for Political Military Affairs at the US State Department. Before his tenure in Washington, Diarmuid worked in the Bay Area as a management consultant for Accenture, as a founder of educational software developer Real Time Learning, and as a senior executive with McCann Erickson Worldwide and Young and Rubicam, respectively. While working at Young and Rubicam, Diarmuid managed international operations and global branding for Coca Cola, Gillette, AT&T, and other tier one companies.

Diarmuid has a B.A. from Dartmouth College, a Masters in Foreign Policy from the University of Virginia, and an M.B.A. from Kellogg. He lives with his wife and two children in San Francisco and escapes to the mountains to ski whenever possible.

Mike Taylor

Vice President of Finance

Mike Taylor joined Tesla Motors as Vice President of Finance in September 2007. Mike brings 17 years of financial expertise to the company.

Mike began his career at Goldman Sachs & Co., where he helped clients worldwide raise over \$2 billion in structured debt financing. He then worked for McKinsey and Company and Wilson Sonsini Goodrich & Rosati, where he helped several companies through IPOs and acquisitions. In 1994, Mike caught the technology bug and has since helped game-changing companies raise more than \$250 million in public and private financings. His first foray into high tech was with Scopus Technology, for which he managed the public offering process prior to that company's acquisition by Siebel Systems. Mike also served as Vice President of Finance for network management software pioneer Micromuse, where he coordinated the IPO and several financing rounds and managed all financial planning and investor relations activities. Mike then served as Chief Financial Officer for Benchmark Capital and Vice President and Chief Financial Officer for Tropos Networks, where he helped raise more than \$80 million in venture financing.

Along the way, Mike found time to earn a bachelor's degree from the University of California, Berkeley and JD/MBA from Stanford University. Mike is married and has two children. He serves on the board for the Center for the Early Intervention on Deafness.

Franz von Holzhausen

Chief Designer

As Chief Designer, Franz von Holzhausen is responsible for driving the overall design direction of Tesla Motors, and is charged with establishing a world class design competency for all future Tesla design concepts and production vehicles.

Prior to joining Tesla Motors, von Holzhausen was Director of Design at the Mazda North American Design Center. While at Mazda, von Holzhausen pioneered the Nagare surface language design philosophy. The word Nagare itself is but one of 150 different ways to describe motion in the Japanese language.

The Nagare and Furai concepts were the progenitors of The visual interpretation of what has become the new design language for the Mazda brand. These two initial concepts led to the development of the Ryuga, Hakaze and Taiki As well as the Kazemai - the latest concept unveiled in Moscow. Franz also led design of the Mazda RX-8, Tribute, and Mazda5 production vehicle facelifts, and was instrumental in the design development of the 2009 Mazda6 and Mazda3.

Before spearheading design at Mazda, von Holzhausen held the Design Director position at General Motors. The Pontiac Solstice, Saturn Sky, and Opel GT are all examples of von Holzhausen's efforts at GM. Franz began his career as Assistant Chief Designer at Volkswagen, where he was involved in projects from Concept One to the Microbus.

When not immersed in design, architecture, and fashion, Franz enjoys sailing, cycling, and snowboarding. Franz also revels in driving one of the cars in his modest collection, which ranges from American muscle to Italian finesse.

Franz von Holzhausen began his studies at Syracuse University in the field of industrial design and graduated from Art Center College of Design in 1992 with a bachelors' degree in Transportation Design.

Evelyn Chiang

Vice President of Supply Chain and IT

Evelyn, who joined Tesla in August 2007, oversees Supply Chain and Information Technology. Previously, she served as Senior Vice President of Operations of the Product and Technology Group of enterprise software giant SAP AG, where she managed global operations, including strategic business planning, portfolio management and post-merger integration. She also managed new product introductions and served as Director of Professional Services at SAP. Throughout her 19-year career, Evelyn has held various roles in operations, consulting, and business development.

Evelyn co-founded her first company at the age of 14, after working in family-owned businesses including pharmaceuticals manufacturing and retail operations. She earned her bachelor's degree in Aeronautics and Astronautics from the Massachusetts Institute of Technology.

Alan Chervv

Senior Director Human Resources

Alan Cherry is responsible for all Human Resources strategy and operational activities. These include: Recruitment and Talent, Reward and Recognition, Training and Development, Communication and Employee Relations. In addition he is responsible for all Facilities activities.

Alan has more than 25 years generalist Human Resource experience with a strong area of expertise in high-tech companies. Alan has held senior HR positions in global organizations including Hewlett Packard, Nortel, Network Appliance and Autodesk. He has also led the HR function in start-up and medium sized organizations in Silicon Valley. Alan has extensive global experience having worked and lived in Europe, Asia Pacific and North America.

Alan has a degree in Business Studies from Dorset University, and a Post Graduate Diploma in Human Resources from Middlesex University.

**Craig Harding
General Counsel**

Craig Harding is responsible for legal affairs at Tesla Motors, including corporate work, supplier agreements, and intellectual property.

Craig has worked at Sun Microsystems as a staff attorney, and also served as General Counsel of Kaleida Labs (a joint venture of Apple and IBM) and Actra (a joint venture of Netscape and General Electric). In his spare time, Craig likes to run marathons and ultramarathons, and he is most proud of a 12:17 in the Miwok 100K.

Craig has a degree in math from Duke University and a law degree from Vanderbilt University.

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EXHIBIT 24

REDACTED

----- Forwarded message -----

From: **Tesla Motors** <announcements@teslamotors.com>

Date: Sat, Jan 12, 2008 at 1:24 AM

Subject: Recent Changes at Tesla Motors

To: "eberhard@teslafounders.com" <eberhard@teslafounders.com>

Dear Martin,

We wanted to share some quick perspectives with you about some recent changes at Tesla Motors that you may have seen in the media.

The main focus of Tesla Motors right now is to get the Roadster on the road and in the hands of our customers. One of the most important things to enable this is that we create a culture of accountability to the commitments we make. A lack of such accountability leads to missed deadlines and continuous delays. This accountability starts at the top and permeates throughout the entire organization. As such we have made some changes at every level.

Most importantly, we have streamlined engineering, supply chain and manufacturing. Previously, engineering and development of the car was spread across 4 areas in the company, making it unwieldy. Going forward, these areas are consolidated under one organization reporting to the CTO. This will allow these groups to work as a single team with much improved direction, coordination and communication. We have also substantially improved leadership & focus in supply chain management, an area critical to our success. These changes will not disrupt our efforts to complete the necessary work to get the car on the road. On the contrary, they will improve our execution.

Tesla is a company of many extraordinary individuals. To succeed, we must continuously develop a top performing team. Since resources are very precious, this also means that we must make hard decisions where need be and part ways with those whose performance has not matched expectations. These actions were taken after careful analysis by the leadership team, and not by a shotgun approach.

At the same time, we continue to look for extraordinary people, with or without automotive experience, to join our team. If you know such people please send them our way.

While this can be a difficult process that impacts people, it is one that quickly drives positive results and should be taken as a sign of health, not weakness, of the organization. Unmistakably our responsibilities are to the shareholders, our customers and the faith that you have shown in the entire Tesla team.

Ze'ev Drori

6/5/2008

President and CEO
Tesla Motors

Elon Musk
Chairman of the Board
Tesla Motors



--
Martin Eberhard

6/5/2008

EXHIBIT 25

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Tesla: Little electric roadster that could

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Enlarge

By Jack Gruber, USA TODAY

Tesla Motors vehicle technician Chris Yap works on a Tesla roadster in the development stage.

ABOUT THE TESLA ROADSTER

What it is: Two-seat, electric, convertible sports car.
Drivetrain: 248-horsepower electric motor with a single-speed transmission.
Weight: 2,690 pounds.
Acceleration: 0 to 60 mph in 3.9 seconds.
Top speed: 125 mph.
Range on full battery charge: 221 miles.
Charging time: 3 hours with 220-volt source.
Price: 2008 model, \$98,000; 2009 price not set.
Production goal: 400 in 2008; 1,800 in 2009.

Source: Tesla Motors

By Chris Woodyard, USA TODAY

SAN CARLOS, Calif. — A little roadster that goes into regular production in two weeks is already electrifying the auto industry.

It's not about promises that the Tesla will deliver pin-you-back-in-your-seat acceleration — 0 to 60 miles per hour in a Ferrari-like 3.9 seconds — or its sexy appearance.

THRILL RIDE: Putting Tesla's pedal to the metal

Tesla's groundbreaking distinction is under its carbon-fiber skin. The \$98,000 Tesla is the first production high-performance electric car. It is powered entirely by electricity, a plug-in that will never use a drop of gasoline. And it's billed as being able to go 221 miles in mixed city/highway driving on a full battery charge.

The sports car from San Carlos-based Tesla Motors has European sex appeal with power to match that defies the image of electric vehicles as poky carts for golf courses or senior villages.

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Tesla is being touted as the first of a wave of electric cars that will bring the most profound change in the auto industry since the first Model T rolled off Ford Motor's (F) assembly line 100 years ago. From Toyota (TM) to General Motors, (GM) the quest for clean air and independence from foreign oil is leading to the wall socket.

"It's in the vanguard of the electric car revolution that is coming," proclaims Elon Musk, the digital-age tycoon who is Tesla Motors chairman and largest shareholder of Tesla Motors.

Critics, however, say Tesla's high price, exotic battery technology and lack of onboard backup power mean it will remain a niche vehicle.

Even consumers who can afford one may be spooked by the car's limited range. Unlike hybrids, it has no gas engine as a backup.

DO-IT-YOURSELF-ER: Independent-minded tinkerer takes on GM's vital Volt

ELECTRIC VROOM: All-electric Tesla inspires a battery of opinions

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pollution

"If you run out of juice, you're dead in the water," warns Dick Messer, executive director of the Petersen Automotive Museum in Los Angeles, which ordered a Tesla roadster for display, then canceled.

A lot is riding on the launch: A Tesla flop could short-circuit the electric-car revolution. Fans already have been

disquieted by a six-month production delay and internal troubles, including a public spat between Musk and former CEO Martin Eberhard that has played out over Internet blogs.

Yet the fundamental idea remains compelling: to build a car without the compromises usually made with alternative-fuel vehicles. The car is intended to be the top-performing sports car in its pricey bracket — and one which just happens to run on electricity.

"Tesla is out front in timing and in dispelling all the myths, building a car that shatters every stereotype of what an electric car is," says Chelsea Sexton of Plug In America, a Los Angeles-based electric-vehicle advocacy group.

A Silicon Valley start-up

Tesla has taken root in a pair of industrial buildings south of San Francisco. The car's engineers and computer nerds are grounded far more in the entrepreneurial ethos of Silicon Valley than in Detroit — and they showed it with a creative solution to their greatest technical problem.

From the start, it was clear that the big technological hurdle was to develop a safe, reliable, reasonably priced battery that can deliver longer ranges than the nickel-metal hydride units in today's gas-electric hybrids. That meant lithium-ion technology, such as typically used for laptop batteries.

While big automakers also are trying to develop their own electric drivetrains, Tesla's engineers figured out a shortcut in the process.

Rather than design a new battery from scratch, they made the roadster's energy-storage system a multitude of rechargeable laptop computer battery cells — 6,831 per car — arranged in a half-ton block that's catacombed with cooling channels. Each cell is a little bigger than a AA battery, virtually identical to the few lithium-ion cells that power the IBM ThinkPad on which this story was written.

The battery pack is designed to last more than 100,000 miles and operate in weather extremes, says JB Straubel, Tesla's chief technology officer.

With today's gasoline prices and environmental concerns, major automakers from Toyota to Mercedes-Benz have become serious about electric power. General Motors' Volt performance electric car is due in 2010.

Tesla is the upstart. Deciding five years ago to try to independently develop a performance electric car was a gutsy move. At the time that Eberhard and his small group began, gas was cheap, and venture capital was still recovering from the tech-stock meltdown.

In the beginning

They created Tesla Motors, which takes its name from the inventor who pioneered alternating electrical current and AC electric motors more than a century ago.

The fledgling company's finances were boosted by the involvement of Musk, who made his fortune creating the PayPal (EBAY) online payment system now owned by eBay. He was hooked on the potential by taking a spin in a test electric sports car from another maker.

Musk, Tesla's chairman, says he has provided almost half of the \$145 million that Tesla Motors has raised, including a big stake in the latest \$40 million in financing (and he has enough left to be developing his own rocket company).

The engineering team started by trying to modify a small model from British sports-car maker Lotus to handle Tesla's evolving electric drivetrain.

After all the development work, about the only components that a Tesla and a Lotus now share are the windshield, steering wheel and instrument panel — 6.5% of the parts, says marketing Vice President Darryl Stry.

And Tesla's building operation is truly an international affair. The battery cells come from Japan, the 248-horsepower motor arrives from Taiwan, chassis are made at Lotus' factory in England and final assembly will take place in California. Up to 400 are expected to arrive this year; up to 1,800 next year.

Eagerly awaiting them are more than 600 buyers for the 2008 model who have already deposited anywhere from \$50,000 to full price for their new car. An additional 300 are on the list for 2009 models.

New Teslas were to start arriving last year. But the project encountered roadblocks and unanticipated expenses along the way in designing an up-to-date body.

Redesigning the headlights to not look so bug-eyed cost more than \$600,000. The door sills were dropped 2 inches lower than they are on a Lotus to make the car easier to enter and exit.

The biggest hurdle, however, has been the transmission. Much time was spent trying to develop a two-speed transmission. Now, Tesla engineers are going back to a single-speed design.

Even with the production date so close, little changes keep coming. Musk ordered a change in the seats because he decided they weren't comfy enough.

Growing pains spark turmoil

Such costly changes, along with growth that has pushed companywide employment from 50 less than two years ago to 250 today has increased internal friction and led to a falling out between Musk and Eberhard.

Late last year, Eberhard quit. He also set up a blog, www.teslafounders.com, in which he posted entries critical of the company. One lambasted the company for a "bloodbath" in which 26 employees were dismissed.

Though he's pulled down some posts under threat of a lawsuit, "I don't agree with some of the decisions that the company has made recently," Eberhard said in an interview.

Musk says Eberhard is "obviously disgruntled," and his "blogging has been harmful. It has disparaged the company in a way that wasn't true." He says the company under Eberhard was racked by spiraling development costs.

Eberhard counters that he was denied the ability to hire financial executives who could have kept a tighter rein on costs.

Eberhard was replaced as CEO by veteran technology executive Ze'ev Drori, who calls Tesla his "most exciting" challenge.

After official production of the Tesla starts March 17, the company hopes to add more models. "We're trying to build a company that has a long future," Straubel says.

An electric sedan that would sell for about half the price of the roadster is in the works. Production is scheduled to start in 2010, in time to rival GM's Volt.

The company is also trying to market its electric drivetrain to other automakers pursuing alternative technologies.

Big makers get turned on

No doubt about it, there's plenty of interest among big automakers. Chrysler just showed off an electric-powered concept car in Detroit in January. Ford and Toyota are pushing ahead with tests of plug-in electric hybrids — vehicles that would run solely on a plug-in battery charge part of the time. Mercedes-Benz recently announced it will be one of the first makers to use lithium-ion batteries in its hybrids.

The prospect of such hulking potential competition has given added fuel to Tesla doubters.

Museum director Messer says continuing changes to the car, remaining questions about battery reliability and performance and the company's long-term financial viability are all factors that buyers should consider.

"It's a fun, look-at-me car," Messer says. But "if GM and Chrysler can't make it, it's tough to see how (Tesla) will make it."

Dave Cole of the Center for Automotive Research in Ann Arbor, Mich., calls Tesla a "fun aside" to the overall progress of the auto industry.

Cole says that though it's too expensive to capture mainstream buyers, the electric roadster will at least serve as a way station on the march to a leap forward in technology.

Tesla "serves notice we're entering a new era," Cole says.

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mss123 (0 friends, send message) wrote: 5/13/2008 3:05:35 AM

Nice sports car, I can't wait to see the 4 door sedan (white star) that they will be comming out with. Hopefully it will be priced below \$35,000 and have a similar range to the roadster. I feel they could sell lots of them if they can make a midsize 4 door sedan with decent performance and a range of 250 miles on a charge.

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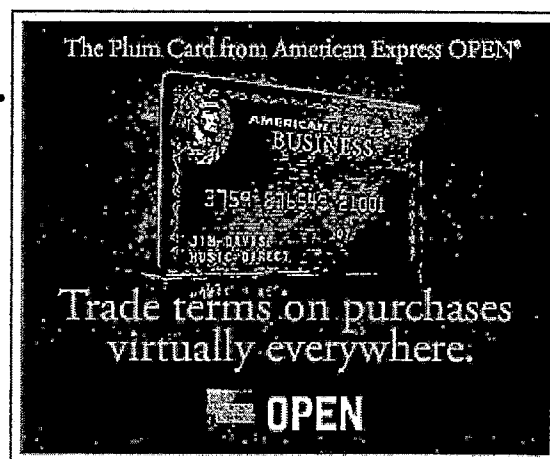
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Tesla's wild ride

Building the world's first electric supercar was never going to be easy - even without the hubris, infighting, and mismanagement that nearly sent Tesla spinning off the road.

By Michael V. Copeland, senior writer
Last Updated: July 9, 2008: 5:07 PM EDT



(Fortune Magazine) -- For Martin Eberhard, there were many obstacles on the path to building the ultimate electric sports car. There was the scientific challenge of creating a lithium ion battery pack stable enough to power a 2,650-pound vehicle. There was the belief that Americans would stick with their gas-guzzlers, no matter what the price of oil. And there was, of course, the considerable resistance in the venture capital community to funding heavy industry.

But for Eberhard, the ultimate indignity came in early June of this year. Just days before he was finally supposed to take possession of his Tesla Roadster, a gray beauty with orange racing stripes that he had devoted the past five years of his life to building, a technician who had been driving it on the 101 freeway relayed some bad news.

The most advanced car on the planet had rear-ended a truck.

Instead of sweeping triumphantly into Eberhard's driveway, the Roadster was towed back to Tesla headquarters south of San Francisco where, under the exacting eye of the company's chairman and financial backer, Elon Musk, it would be rehabilitated.

Even with its carbon-fiber front end shattered, the car was something to behold. Eberhard had named the car for Nikola Tesla, an eccentric late-19th- and early-20th-century inventor whose name has become a byword for genius tethered to otherworldly ambition. (His legacy ranges from the AC power systems we still use today to plans for a "death ray" that would help armies fight wars with electricity.)

The Tesla itself - 400 volts of electric potential wrapped in a carbon-fiber body - is as far-out as its namesake, styled like the cars you used to see only in cartoons but charged by a high-powered outlet in your garage. Stomp the accelerator, and thick cables connecting the liquid-cooled lithium ion battery pack to a printed circuit board send all that current into a series of silicon transistors the size of your little fingernail. They are capable of switching as much as 850 amps, which drive the AC motor as high as 14,000 rpm and send the rear-wheel-drive Roadster screeching off the line, with a range of 220 miles on a single charge. Acceleration is so fast (0 to 60 in 3.9 seconds) that you get pushed back in your seat for as long as you dare to keep your foot on the aluminum pedal.

That the Tesla exists at all is a small miracle. For car geeks it has long seemed that electric vehicles are the car of the future - and always will be. First tinkered with in the 1800s, the electric vehicle (or EV) had its fate sealed with the invention by 1900 of the internal-combustion engine, which was cheaper and could travel much farther than any battery-powered model. There was another flurry of EV development during the energy crisis of the 1970s, and again in the early '90s because of a series of regulatory guidelines governing emissions. But by the late '90s, California had defanged the electric-vehicle portion of its zero-emissions mandate and soon after, GM (GM, Fortune 500), Toyota (TM), Honda (HMC), and Ford (F, Fortune 500) all shut down their EV programs. The most dramatic end would come for GM's EV1, when the Detroit automaker famously ripped the cars away from ecstatic owners and sent them to the crusher, as detailed in the film Who Killed the Electric Car?

That backdrop makes the story of the Tesla all the more remarkable. The car was conceived by Eberhard, an engineer, serial entrepreneur, and inventor (his name is on battery-cooling, electric motor, and power electronics patents filed by Tesla Motors). He was convinced that if he could outfit an existing sports car chassis with loads of laptop batteries, it would be feasible to build and he'd find plenty of buyers among the speed-loving, planet-conscious Silicon Valley set and beyond. But given that he had zero experience in the auto world and that gas was at a relatively cheap \$1.50 a gallon, Eberhard, 48, couldn't find a VC firm willing to give him enough to build the car. Which is how he came to Elon Musk.

The 37-year-old Musk had co-founded PayPal, was forced out of the online-payment company, but cashed in when it was sold to eBay (EBAY, Fortune 500), giving him more than enough money to launch SpaceX, a private rocket company that aims to start shuttling people to the International Space Station by 2011. Big ideas, in other words, are Musk's specialty. After a two-hour meeting in February 2004, Musk agreed to plow \$6.3 million into Tesla. He would become the company's chairman; Eberhard would be CEO.

In one sense, the duo's timing couldn't have been better. Tesla has begun delivering cars just as gas prices and fears about global warming have shot to all-time highs. All those automakers that shelved plans have since restarted them. Nissan (NSANY), Mitsubishi, Daimler, Subaru, and boutique firms like Fisker Automotive are furiously working on new models - some all-electric, others range-extended EVs - but won't get to market till 2009-13. GM's Bob Lutz even credited his company's relaunch to Tesla. "If some Silicon Valley startup can solve this equation," he told Newsweek, "no one is going to tell me anymore that it's unfeasible."

Tesla's wild ride (pg. 2)

By Michael V. Copeland, senior writer

Last Updated: July 9, 2008: 5:07 PM EDT

But somewhere between the elegant plan and the rear-ender on the 101, things went terribly wrong. Says Eberhard, looking back: "I should have been more careful. I shouldn't have let [Musk] take a disproportionate control of the board." He adds, "I have no issues with Tesla Motors as a company. I do have problems with Elon and the way he treats people." Indeed, it was poetic that Eberhard wasn't behind the wheel when his Tesla crashed - he had been booted from the driver's seat and forced out of the company seven months earlier. Musk has kept silent until now about what happened. "I was too busy trying to fix the fucking mess he left. I haven't had time to tell my story," he says. "I will say, I have never met someone who is as capable of creating such a disinformation campaign as Martin Eberhard."

In the past four years, Musk has sunk \$55 million of his personal fortune into the company, the ousted Eberhard has started a tell-all blog to air his grievances, and 1,000 customers - many of whom long ago laid out nearly \$100,000 - are still waiting for cars that are unquestionably cool but now a year overdue. The only thing anyone can agree on is that men, not machines, are largely to blame for Tesla's struggles.

You need to be a little nuts to start a car company. And by most accounts Martin Eberhard always was. In his early career, he launched a series of startups, including an electronic-book company he co-founded called

NuvoMedia, which he sold to Gemstar in a deal valued at \$187 million in 2000. By 2003 he was looking for his next project. Driving the streets of Palo Alto that year, he began to notice that the same driveways that held a Prius (or "dork mobile," as he liked to call it) often also had a Porsche 911 or other luxury sports car.

"It was clear that people weren't buying a Prius to save money on gas - gas was selling close to inflation-adjusted all-time lows," says Eberhard, a tall, thin man with a mop of graying hair and a nervous, foot-tapping energy. "They were buying them to make a statement about the environment." So why not, he reasoned, allow this deep-pocketed clientele to make that statement driving a car that exceeded the performance of a Porsche?

Eberhard, who has an undergraduate degree in computer engineering and a master's in electrical engineering from the University of Illinois at Urbana-Champaign, spent almost a year doing an analysis of what energy source was most efficient for his imagined eco-supercar. He examined and dismissed hydrogen fuel cells, natural-gas-powered cars, hybrid technologies, and diesel. The energy source that offered the highest efficiency and performance, he concluded, was pure electric.

As it turned out, EV pioneer Al Cocconi (one of the original engineers of the prototype for GM's EV-1 and founder of an EV shop called AC Propulsion in San Dimas, Calif.) had concluded the same thing and produced a one-off he called the tzero. Though the tzero could go 0 to 60 mph in 4.1 seconds, it was loaded to the gills with 1,000 pounds of lead-acid batteries, so its range was limited to 60 or so miles of driving.

At the time, AC Propulsion was struggling to keep its lights on, so Eberhard proposed a deal: In exchange for a \$150,000 investment, he wanted Cocconi to try powering the tzero with thousands of lithium ion laptop batteries, which were lighter and had six times more energy per pound than the lead-acid variety. (It was an easy sell: Cocconi was already experimenting with lithium ion.) The lighter batteries worked. The souped-up tzero accelerated from 0 to 60 in 3.6 seconds and had a range of more than 300 miles. Eberhard had found his supercar. He persuaded AC Propulsion to build him one and tried to convince Cocconi that he should put the tzero into production. But Cocconi had no interest in building a car company.

So Eberhard decided to build a car by licensing electric-drive-train technology from AC Propulsion and using an existing carmaker to do the manufacturing, just as semiconductor manufacturers had done with their "fab-less" model. In Eberhard's view, that would make building the car better, cheaper, and faster. After persuading Marc Tarpenning, a software jockey and Eberhard's business partner in his previous companies, to join him, they incorporated Tesla Motors in July 2003. Eberhard didn't know it at the time, but someone else was itching to see tzeros hit the road in large numbers, and that someone had far deeper pockets than he did.

After eBay bought PayPal for \$1.5 billion in 2002, Elon Musk, an imposing South African with a yen for high-tech gadgets and designer clothes, had taken his sizable fortune and set up SpaceX in Hawthorne, Calif. Shuttles to space were the first goal, but Musk's really big idea was that by making space travel cheap, people could start moving off earth and onto other planets. His terrestrial plans were equally ambitious. Like Eberhard, Musk had long thought EVs were the logical way to kick our oil addiction. "During undergrad at the University of Pennsylvania, I used to harangue my dates about electric cars," says Musk. Before the Internet piqued his interest, he had even started a Ph.D. at Stanford focused on advanced capacitor technology.

So when JB Straubel, a hotshot engineer out of Stanford who is now Tesla's CTO, mentioned the tzero to Musk, he immediately arranged for a test drive. Musk tried to buy the car, but Cocconi wouldn't sell, nor would he take the \$250,000 Musk offered to convert his Porsche 911 Turbo to electric. Then Tom Gage, AC Propulsion's CEO, had an idea. "That's when I suggested that Martin and Elon should talk," he says.

It took Eberhard and Ian Wright, VP of vehicle development, only two hours during a February 2004 meeting to get Musk onboard. The meeting ended with Musk saying simply, "Okay, I'll do it." On the street outside SpaceX, Eberhard and Wright high-fived. "I think we just got our funding," Eberhard said.

There were, however, a few catches. Musk saw the franchise-dealership arrangements that U.S. car companies had

tangled themselves up in an increasingly expensive, margin-killing model. He wanted to own and operate Tesla dealerships rather than franchise them. He wanted final say over all decisions - which he would get by naming himself chairman. And finally, Musk demanded that they close the deal in two weeks. His wife was expecting twins, and he needed everything buttoned up by then. Though Musk had a reputation for outsized thinking and an ego to match, Eberhard wasn't in a position to be picky. As he puts it, "You take money from the people who offer it to you."

Tesla now had funding, a business plan, and even a chassis. The first prototype of Tesla's car, dubbed the Roadster, would be based on a \$45,000 fiberglass-skinned sports car that Lotus sold, called the Elise. Lotus made fast, light cars and also had the virtue of being the only sports car manufacturer that would give Tesla management the time of day. While Eberhard was thrilled to have a viable plan to build the Roadster, Musk had even bigger ideas. "Eberhard's initial stimulus for starting Tesla was to build the EV he wanted to buy," says Wright. "Musk had a much grander vision: He wanted to be the next General Motors."

Tesla's wild ride (pg. 3)

By Michael V. Copeland, senior writer

Last Updated: July 9, 2008: 5:07 PM EDT

Despite their differences, the two men initially worked well together. Both are technical guys who attack problems relentlessly. Eberhard's style is to question every engineering assumption. He'd corner people in the hall and debate them on the merits of air-cooled vs. liquid-cooled battery packs. "Technically he is just brilliant, and he has a tenacity that is unbelievable," says Laurie Yoler, a venture capitalist and an early Tesla board member and investor. "He is the guy you want around in those early days when you have naysayers all around." The team was solving huge technical problems, from battery cooling and load balancing to the power electronics. But if he didn't like an idea, Eberhard could also be very insulting. When an early member of the marketing team suggested putting solar panels on the roof of Tesla's new headquarters in San Carlos, Calif., Eberhard's response was, "Why the fuck would we do that?" (Eberhard says now that the company simply couldn't afford it.)

At the time, Musk's primary job was running SpaceX, but he and Eberhard talked practically every day. On some weekends both men would continue the conversation over dinner at one or the other's home with their families. Using what he was learning about rockets, Musk would constantly suggest materials that could shave a few pounds from the chassis or the body. Says Wright: "There were signs that he wanted to fiddle in the details, but it wasn't enough to make me run screaming. Musk is a technically savvy guy who wanted to help."

The highlight of board meetings for the tech-obsessed group were the show-and-tell portions, with little focus on the bottom line. "Martin would come in all excited and talk about one breakthrough or another," Yoler says. "Then we would go out to the shop and look at the latest electric motor or battery pack prototype." In his role as chairman, Musk would ask technical questions and then offer his own suggestions. As the car progressed, staffers began to realize that a green light from Eberhard was not sufficient. "The question always had to be asked," says Tarpenning, "'What will Elon think of that?'"

As time went on, Musk became more and more comfortable pulling rank. Jessica Switzer, who ran marketing at Tesla until the car's official launch in 2006, recalls persuading Eberhard to spend \$30,000 on focus groups to test the car's logo, look, and feel. A few weeks later Musk killed the project without explanation. With Eberhard's approval, Switzer hired people from a PR firm in Detroit to drum up publicity in the automotive press before the car's launch. Musk promptly fired them. She later learned that Musk didn't want to spend money on marketing before the car was finished and figured his own involvement and the car itself would drum up more than enough PR.

When it came to design, Musk's vision - building the Next Great American Car Company - soon came into conflict with Eberhard's goal of getting a cool electric sports car to market quickly and relatively cheaply. The Lotus Elise chassis on which the Roadster was based had a high doorsill, a feature that makes entering the car tricky if you are not careful. Getting out is even harder. It took several attempts for Musk's wife to get out of an early Roadster

prototype while wearing a dress. So Musk ordered the engineers to lower the doorsill two inches, thereby losing much of the cost savings that come from using a crash-tested off-the-rack chassis. "Have you tried getting out of an Elise?" asks Musk. "It's like you have to be a contortionist."

And rather than use the fiberglass body panels from the Elise that Eberhard had suggested, Musk insisted on carbon fiber, a lighter, stronger, and "cooler" material, in his opinion. He then went on to redesign the headlights and the door latches. After riding for a weekend in an early Roadster model and taking a beating in the standard Lotus seats, he insisted that custom seats be developed. Every change meant additional cost and time. "I always argued that we would sell exactly as many cars whether the door latches were push-button or electronic, whether the body panels were carbon fiber or fiberglass," Eberhard says. "All the nicer, cooler, faster stuff increased risk."

But Musk got his way, in large part because he was putting more and more of his own money into Tesla. He led Tesla's \$12 million second round of financing in the fall of 2005, and also convinced some of his high-powered friends, including Google founders Sergey Brin and Larry Page and eBay employee No. 2, Jeff Skoll, to invest in later rounds. To date, he has personally put in \$55 million of the \$145 million Tesla has raised.

Musk, who is precise in his sentences, laughs easily, and if fired up will literally leap from his chair to punctuate a comment, admits he poked his nose into everything. "I was very insistent on things during the design phase, and it is true those things cost money," he says, "but you can't sell a \$100,000 car that looks like crap." Unfortunately, while the exterior of the Tesla was designed and redesigned to meet Musk's exacting specifications, there was one very big problem: Two months before the car was set to debut in the summer of 2006, it still didn't have a production-ready transmission.

As Hollywood heavy hitters like Michael Eisner and Governor Arnold Schwarzenegger mingled with well-heeled car buffs at the Roadster's public unveiling at the Santa Monica Airport in July 2006, it looked like a slam-dunk for Tesla. But behind the scenes company execs were sweating. Electric motors have the advantage of being lightning fast from a standing start. But to get to the top speed that Tesla had promised (125 mph), they needed either a more powerful drive train or a second gear that could send the car speeding beyond 100 mph.

Problem was, Tesla's engineering team didn't yet have the experience to build a more powerful drive train, and no one had come up with a two-speed transmission that could go from 13,000 rpm to 7,000 rpm and survive for more than a few thousand miles before it wore out. Eberhard was inclined to stay on schedule, get cars on the road by sticking with one gear, and offer a Roadster that topped out at 110 mph.

Instead Musk launched the search for a supplier that could deliver a two-speed transmission. "Why did DeLorean fail?" Musk asks. "Because it was a shitty sports car. It may have looked cool, but it had the acceleration of a Honda Civic. That's what our car would have been with the motor we had and the power electronics we had connected to a single speed."

Meanwhile Eberhard was spending more and more time basking in the glow of the clean-tech crowd. He was the face of Tesla, the voice on its blog. He became a regular on the conference circuit and even starred in his own BlackBerry "innovators" ad. But at least four board members, including Musk, were growing concerned that Eberhard didn't have a firm grasp of the company's increasingly complex finances and supply chain. At an executive staff meeting at Tesla's San Carlos headquarters in June 2007, Eberhard grew visibly agitated, according to Straubel and others, as Tom Colson, head of manufacturing, went through a cost analysis of the Roadster put together by one of the company's VC backers.

In Tesla's own prospectus for its most recent round of funding, dated April 12, 2007, it had estimated the cost of building the car at \$65,000, dropping as production ramped up. But just two months later, the VCs now believed the average cost was going to be well north of \$100,000 for the first 50 cars and would decrease only slightly as more cars were built. "If this is true," Eberhard told Colson and the room, "you and I are both fired."

Eberhard doesn't dispute that things seemed to be heading south, but he says that for months he had been asking

the board to hire a CFO and a COO and it wouldn't approve his choices. "I raised my hand and said, 'I am drowning, please help me,'" he recalls. Board member Yoler says that Eberhard could have hired anyone he liked but was holding out for Elon's approval, which never came.

In fact, there was another search going on at the same time. Tesla was moving from its development stage to an operational stage, where costs and schedules were taking precedence. According to board members (all venture capitalists at the time, except for Musk's brother), that wasn't a good fit for Eberhard. Even his old friend Tarpenning saw the problem. "You reach a point where the same people who are running the company when it has three people are not the same people who are running the company when it has 300," he says. "Both of us had been around the Valley long enough where we knew that to be the case." Eberhard himself agreed to join a board subcommittee to search for his own replacement. Dozens of candidates were interviewed and rejected; in the meantime Eberhard remained optimistic that Tesla would be able to hit its Aug. 27 production date.

But according to Darryl Siry, Tesla's head of sales, marketing and service, that wasn't going to happen. In June, he says, Lotus factory officials began warning that the late-August launch wasn't realistic. Eberhard persisted, saying in staff meetings that "we're dead if we miss that launch," Siry says. Yet Tesla hadn't even released all the car's specs to the parts suppliers. Two suppliers, Xtrac and then Magna, failed to get the two-speed transmission to work. Still, Tesla was ramping up spending as if it was going to start production in late August, putting \$469,696, for example, into stereo and navigation gear that never made it into the cars and instead was sold back to the distributors at a loss. "Elon was pushing for early shipping all the time - it wasn't me," says Eberhard. "I resisted that spending, but Elon insisted."

Even though the Roadster project was wildly off course, between January and June 2007 there were monthly board meetings about designs for showrooms and a parallel project to find a site - they picked Albuquerque - to build a factory for Tesla's second model car, a \$59,000 sedan code-named Whitestar. "Either senior management just wasn't paying attention, or they were hoping it would work itself out and they could fix it later," says one board member. "They were running line items on cost, irrespective of where milestones were on development of the car and the supply chain, as if they were not related."

Tesla's wild ride (pg. 4)

By Michael V. Copeland, senior writer

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With more-financially-minded investors like Valor Equity Partners and Technology Partners now backing the company, board meetings became focused on the numbers, and according to Musk and three other board members, Eberhard simply didn't have the answers. "In any other company it's the CFO that provides those numbers," Eberhard says in his defense. "I'm an engineer, not a finance guy." During the July 2007 board meeting, Eberhard took a grilling. "You can't tell me the car is going to cost \$65,000 to make when just the battery pack is well over \$20,000," recalls the board member. "This CEO would not admit the problems and ask for help. You must develop commitments from data and set them in reality, not just hope it works out. We did not believe that this registered with him, and the board felt compelled to take action." A month later Eberhard was removed as CEO and demoted to president of technology.

In August 2007, Tesla finally got its priorities straight with what became known as the "Marks list." It was put together by Michael Marks, former CEO of Flextronics and a minority investor in Tesla, whom Musk handpicked as interim CEO to replace Eberhard. It contained about a dozen items in order of importance, each of which had the potential to delay the car. At the top: battery pack, battery cooling, and transmission.

Whereas Eberhard was the high-concept visionary, Marks was a manufacturing whiz with no tolerance for any gray areas in schedule or cost. He quickly realized there was no way to hit the late-August launch and ordered a minimum six-month delay. "I postponed anything that wasn't aimed directly at getting the Roadster out the door,"

Marks says. That meant mothballing plans for the factory in Albuquerque and shuttering a side business that would have produced battery packs in Thailand for other automotive customers. "If we didn't get that car out," he says, "there wasn't going to be a business."

Eberhard had cut a deal with Lotus for production of the Roadsters that included penalties if production didn't begin on schedule. It didn't. In October, Lotus hit Tesla with a bill for \$4 million. That was just the start of the company's cash-flow problems. "We had bought 80% of the parts for hundreds of cars, but since we didn't have the remaining 20% of the parts (including a working transmission), we couldn't ship [the cars] and get paid for it," said Musk.

Marks had been keeping Eberhard temporarily busy on power-supply electronics problems and public appearances, but in December 2007, Musk orchestrated his ouster from the board. Over the next month 10% of Tesla's employees, most considered Eberhard loyalists, were also let go.

Eberhard was furious, believing he had just been following Musk's orders. "Either he was a passive investor or he was involved," says Eberhard, "and I can tell you, Elon was involved every step of the way." Though he had lost control of the company, Eberhard could still fight a PR war. He launched "The Tesla's Founders Blog" detailing what he called the "Stealth Bloodbath" and soliciting comments from current and ex-employees. A typical post: "The company has changed so tremendously since I started. It's very secretive and cold now. It's like they're trying to root out and destroy any of its heart that might still be beating."

The board went nuts, and Yoler pleaded with Eberhard to stop (he eventually toned it down). Nancy Pfund, who sits in on board meetings on behalf of Tesla backer J.P. Morgan, says that Eberhard's "bloodbath" was really just getting costs under control. "We had to reduce the burn rate of the company," she says. "It's always painful, but that doesn't mean we didn't have to do it."

Morale plummeted for those who remained, especially since the car was still nowhere near ready. "We knew things were not going to get better until we had cars out there, so that is what we focused on," says CTO Straubel. Musk began spending two to three days a week at headquarters. The board found a permanent replacement for interim CEO Marks in Ze'ev Drori, an operations-focused Silicon Valley veteran who came out of retirement. Meanwhile CTO Straubel took the car apart on the shop floor in San Carlos, looking at every printed circuit board and every bracket to see where the company could cut costs. Since no supplier could provide the two-speed transmission Tesla wanted, Straubel's team continued to work on the one-speed version, seeing whether it could eke more power from the motor and the electric drive. In March 2008, with a clear path to costs below the sticker price by the end of the year, Tesla decided it could wait no longer and began production of the Roadster. The transmission on the first 40 Teslas, however, will need to be replaced by the end of the year to get the promised performance.

Seven Teslas - part of the so-called Founder's Series - have been completed. (The lucky owners: Musk, his brother, board member Antonio Gracias, investor Skoll, Google's Larry Page and Sergey Brin, and of course Eberhard.) The company hopes to ship several hundred more by the end of the year. Musk has set his sights on delivering Tesla's next car sometime in 2010. Called the Model S, it's an all-electric \$60,000 family sedan with four doors and a hatchback, which he now plans to build in the Bay Area. He'll need to raise \$250 million to \$300 million, and he knows it's a long shot that Tesla can grow up and become a real car company. For all the difficulty of getting a few cars built, scaling to thousands and tens of thousands of cars is exponentially harder. Tesla is turning to automotive veterans like former Chrysler executive Mike Donoughe, recently hired as executive vice president of vehicle engineering and manufacturing, to help crack that code. But before it can get to the next car, Tesla needs to make sure the Roadster is a success.

And there are a whole lot of auto buffs and professionals waiting to see what will happen when these cars hit the road for real. Though you can get insurance for a Tesla, a big concern is the amount of heat generated by 6,831 battery cells lashed together. "Never mind whether they will burst into flames," says Bruce Belzowski, assistant research scientist at the University of Michigan's Transportation Research Institute, of the Tesla batteries. "What if

they plain don't work? There is real uncertainty about these battery technologies, because there is nothing to compare it with - it's so new there aren't even regulations in place yet." Tesla says the batteries have been tested for an equivalent of 40,000 miles with no safety or durability issues.

Tesla's customers don't seem particularly concerned. During all the turmoil, only about 30 of almost 1,000 asked for their deposits back, and those spots were quickly filled. Engineer Earl Cox (who is buying a Tesla, as is his dad, Stanford professor Don Cox) says he has a great deal of respect for Eberhard. "But I would still love Tesla to win," he says. "I would love if Elon Musk went down in history alongside Henry Ford for doing this thing. It is a great car - I don't have any hesitancy about that - and I can't get it soon enough."

Same goes for Stephen Casner, a software engineer who worked with Eberhard and Tarpenning at networking technology company Packet Design. It was because he trusted and believed in his two former colleagues that he put down \$100,000 for his radiant red Roadster. What he didn't do is ask for his money back after Eberhard was shown the door and Tarpenning quit. "I guess I just want the car too much," Casner says.

Startups, after all, are always chaotic. The people who found them are often arrogant or overbearing or both. But in a way Musk was right: The bumps along the road are forgettable, as long as the car isn't. ■

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[Tesla's a-list wait list](#)

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October 24, 2008, 7:08 pm

Musk Unplugged: Tesla C.E.O. Discusses Car Troubles

By Claire Cain Miller



Elon Musk, chief executive of Tesla Motors, with one of the company's Roadsters at their headquarters in San Carlos, Calif. (Credit: Peter DaSilva for The New York Times)

Last week, Tesla Motors, Silicon Valley's favorite electric-car start-up, replaced its chief executive, laid off employees and delayed production of its second car.

On Friday, Elon Musk, Tesla's new chief executive and its largest investor, elaborated on the turmoil at the company in an interview.

Mr. Musk said that 87 people — about a quarter of the company — were laid off in the current retrenchment.

He also said that the company's second model, a battery-powered sedan called the Model S, was delayed because Tesla was having trouble raising the \$100 million it needed for its next phase. Rather than turn entirely to current investors, including Google's co-founders, Larry Page and Sergey Brin, and the former eBay president, Jeff Skoll, Tesla decided to ratchet back the fund-raising and slow its expansion.

Tesla's troubles are not new. Mr. Musk is the fourth chief executive of the San Carlos, Calif., company since it was founded in 2003. The production delay follows a long line of other delays. Mr. Musk, who made his fortune from the sale of the online payment site, PayPal, to eBay, acknowledged that building cars has taken four times the time and effort he expected.

He has invested \$55 million of his own money into Tesla, which is why he stepped in to replace Ze'ev Drori as chief executive as the company reached yet another crossroads. "We're going through a very difficult economic period and I've got so many chips on the table with Tesla, it just made sense for me to have both hands on the wheel," he said.

Running Tesla means scaling back his commitment to SpaceX, which launched its first rocket in September. Although he will remain CEO of SpaceX, Mr. Musk said he will cut back his time there from about 70 percent to 50 percent.

Tesla has raised \$146 million from venture capitalists and angel investors. The company had been trying to raise another \$100 million when the credit crisis hit. The terms on the money became "very egregious," Mr. Musk said, so Tesla decided to go back to past investors for \$20 million to \$30 million instead.

Although the company's existing backers are wealthy enough to have easily come up with the full \$100 million between them, "they wanted us, and I wanted us, to go raise external money rather than have the whole thing be funded internally," Mr. Musk said.

The \$100 million would have gone toward producing the Model S, the battery-powered sedan that Tesla had promised in 2010. Instead, the company delayed the car's debut to mid-2011 and is waiting on a low-interest Department of Energy loan due in six to eight months. That will cover about three-quarters of the cost of the Model S. Tesla will try to raise another \$50 million or so after the loan comes through.

By then, Mr. Musk said, he hopes that the markets will have stabilized and potential investors will see Tesla as a less risky investment because of the government loan. He also hopes to get some of the federal government's \$25 billion bailout package for the auto industry, 10 percent of which is reserved for small car companies.

The latest delay in production of the Model S, which will be made in San Jose, will put the car on the road after the electric Chevrolet Volt.

Mr. Musk said he welcomed the competition. "The reason I put so much time and energy into helping create Tesla was to spur the existing car industry to go electric," he said.

Mr. Musk attributed the bulk of Tesla's problems to its first chief executive, Martin Eberhard, whom Mr. Musk said spent too much money and too many years developing the company's first car. "It's taken us about a year to correct major errors," Mr. Musk said.

Mr. Eberhard, who is now an entrepreneur at Mayfield Fund, disputed that. "He's still blaming it on me a year later and three C.E.O.s later?" he said. "Look at the constant factor at the company through all the years: Elon."

Tesla's first car, the \$109,000 Roadster, has a year-long waiting list, and Tesla is shipping 10 each week, Mr. Musk said. Tesla was at first losing money on the Roadster but now the car is "just barely" gross-margin-positive, he said. He plans to further reduce the cost of making the car and cut operating expenses to get the company to cash-flow-positive in six to nine months.

The Model S will cost less than the Roadster, but will still be pricey at around \$60,000. Mr. Musk acknowledged that now-declining gas prices will reduce the appeal of a mass-market electric car more than a high-end sports car. Still, he said, the cost of charging the sedan's battery would be one-tenth that of filling up the tank at current gas prices. He also predicted that gas prices will start rising again, climbing as high as \$7 a gallon in the next few years.

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1. 1. October 24, 2008 10:34 pm [Link](#)

Even though this article was nicely written about the ongoings of the transitions of the management of the company, there was no TECH in this article. Perhaps you should think about moving articles like this into the Financial or Management section of the magazine....

Good Luck....

— *R Schenk*

2. 2. October 25, 2008 1:18 am [Link](#)

"I drive a GTO, on a government loan."

- Iggy Pop

— *Daniel*

3. 3. October 25, 2008 9:48 am [Link](#)

Whatever struggles Mr. Musk is having with his young car company, he is a pioneer of note. He had the vision to go forward with an electric car revival actually produced his cars while the automotive giants were pumping out SUVs. If there is money going into the auto industry, Tesla should get a boost as well.

— *Lynnda*

4. 4. October 25, 2008 10:31 am [Link](#)

EXHIBIT 28

Dealscape

Tesla CEO Elon Musk: 'Never had a failure, and I'm not going to add one now'

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Published November 6, 2008 at 6:00 AM

 Musk&Roadster.jpg

When serial entrepreneur Elon Musk took over the CEO spot at Tesla Motors Inc. in mid-October, he cited the "worst crisis since the Depression" in a blog post announcing big changes at the innovative but troubled electric car maker, including layoffs, an office closing and the delay of the company's upcoming sedan while waiting for a loan guarantee from the U.S. Department of Energy. Earlier this week, Tesla announced it had raised \$40 million in convertible debt financing from investors, including Musk.

Musk, 37, who is best known as the founder of PayPal Inc. (the payment processing company sold to eBay Inc. for \$1.4 billion in 2002) and who is also CEO of Space Exploration Technologies Corp. and an investor in SolarCity Corp., spoke this week with Tech Confidential about Tesla. -- *Mary Kathleen Flynn*

What role is the economy playing in the changes you've initiated at Tesla, such as closing the Michigan engineering office, laying off 25% of your staff and delaying production of Tesla's upcoming sedan, the Model S?

Certainly, the economy played a role in forcing us to make a significant change rather than continue to expand our business. It made more sense to cut back on our expansion and wait for a DOE loan guarantee, which provides for low-cost capital. We're still keeping about 10% of our resources on development of the sedan, but it wasn't feasible to ramp up development when it became clear we couldn't get the \$100 million equity round we were trying to raise. We could have raised more capital, but it would have been extremely expensive with tough terms, and it didn't make sense to do that when we can get low-cost capital in six to eight months. The DOE loan guarantee is a "when," not an "if." It's contingent on environmental approval of Tesla's consolidated headquarters in San Jose, but that's also a "when," not an "if." We'll do what we need to get approval.

You've raised \$145 million in venture funding previously. You've just raised another \$40 million in convertible debt from yourself and the other investors. Why go the convertible debt route?

It's difficult to price equity in this market. Rather than trying to price equity, it makes more sense to do this as convertible debt. Our plan of action is to get to cash-flow positive, get the DOE loan guarantee and then raise \$50 to \$70 million, which could be private or it could be public.

You're Tesla's fourth CEO. Why has it been so difficult to find the right person to run Tesla, and why do you think you're the right person for the job?

[Tesla founder] Martin Eberhard was definitely not the right person. That became clear when after the Series D investors did additional diligence we discovered that Martin was wrong about important elements of the business. He had misled us about the cost of the car and the time frame of when it could go into production. That's why it required Michael Marks [former CEO of Flextronics International Inc. and an early investor in Tesla] to step in on an emergency basis as interim CEO. Then we launched a search for a CEO, and I thought Ze'ev Drori was the right person at that time to run the company.

Ze'ev's background is in startups, and Tesla was a huge mess at the end of last year. Ze'ev and I worked together to fix that mess. He's a great guy, and he was a huge help. But in the final analysis we weren't able to raise a big equity round, and it was clear I'd have to invest much more money in the company. I thought it made sense for me to have both hands on the wheel, given that I've got so much on the table here with Tesla. I talked to Ze'ev, and he said he'd feel the same way in my position. There's no negativity, and Ze'ev continues to be on the board as vice chairman. If the economy were in better shape, or if I had less personally at stake, there's no reason why he couldn't have done the job going forward, but I've got so much at stake and the economy is in such a tough position I just had to drive the ship myself.

What's your stake in Tesla now?

I'm the largest shareholder in the company by a significant margin. I've invested \$55 million so far, and that increases with the new round. Exactly how much more will depend on what some of the other investors want to do, which we'll resolve in the next month or so.

Now that you're in the driver's seat, what's the nature of the challenge facing you?

Get to cash-flow positive, reach profitability in the core business, continue developing the Model S, get the DOE loan guarantee and go public.

That's your business plan, but what makes you the right person to execute it other than having more on the line than anyone else? If you were interviewing for the job, what would you tell your prospective employer about yourself?

I don't think most other people would pick me, but that's not really the point. There's hardly anyone out there better than me at building companies.

Before PayPal, I had no real experience in the financial sector, and now it's the world's leading Internet payment system against Citigroup Inc. [C] and a whole bunch of established players. PayPal has 95 % marketshare. SolarCity, where I'm the primary investor and came up with the initial idea, has become the largest provider of solar power in residential installations in the U.S. SpaceX is in its second profitable year, about to go into its third. We won the NASA contract to build the Space Shuttle replacement after 2010. SpaceX is poised to be the leader in space launch, beating entrenched companies like Boeing Co. [BA] and Lockheed Martin Corp. [LMT].

That's a pretty good track record. I've never had a failure, and I'm not going to add one now.

Why are you convinced that Tesla has the right technology? And how do you address concerns about "range anxiety" with all-electric vehicles that only last 300 miles?

The range issue is not a major factor in a sportscar like the Roadster. It certainly hasn't dampened demand for the Roadster. But it is more of an issue in a sedan and other cars.

We looked closely at hybrids. At first it sounds good, but the truth is that a hybrid is neither fish nor fowl. It's not good at either one, and you end up with a so-so electric car and a so-so gasoline car. Given the amount of weight and cost and freedom to optimize for gas or electric, you end up splitting the resources. Hybrids cost the same as pure electric, but when you run out of battery range, they're incredibly anemic and weak because you have an undersized engine in your car and you're carrying around a dead battery pack.

We have some ideas to address the range issue with a battery pack you can swap out, like you would with a laptop or a cell phone, but it would be done mechanically--and it would be done faster than you can fill a car with gasoline.

There's also a fast-charge capability so that a battery could be recharged in 45 minutes instead of three and a half hours. Say you were driving from L.A. to San Francisco, which is 400 miles. By 300 miles, I'm sure you need a bathroom break or a meal break. So you go to a fast-charge station that's near a selection of restaurants and other amenities. You stop for a meal or a cup of coffee, come back in 15 minutes and you've charged the battery for another 100 miles to finish the journey to San Francisco.

Many other innovative car makers have dreamed big over the years. What makes you think you'll do better with Tesla than, say, Preston Tucker and John DeLorean did with their vehicles?

Neither Tucker nor DeLorean made that great of a car, quite frankly. If they had, they probably would have done okay. Another factor is that the opportunity tends to come when there is a substantial technology change. This is a huge change, the biggest technology change since Ford made the Model T with assembly line production. Incumbents don't understand the new technology. All their expertise is in the old stuff. That's not to say this is easy. It hasn't been easy, and it will continue to be difficult.

I feel pretty confident with our plan going forward financially. Customers are buying our car. And the Roadster is a really great car. The new transmission is working well. It's an upgrade of the motor and power electronics as well, and we've been in production on it since September. We're offering free upgrades at no charge. And the sedan is going to be a real knockout. The company will be successful. -- Mary Kathleen Flynn

[See Oct. 15 announcement from Elon Musk](#)

[See Oct. 16 story on changes at Tesla from Tech Confidential](#)

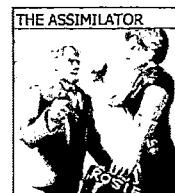
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EXHIBIT 29

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TESLA MOTORS

My evening with Elon Musk

By Owen Thomas, 2:40 PM on Wed Nov 12 2008, 5,348 views



I confess: I completely missed the Tesla Roadster parked outside when I walked into Joey & Eddie's, the San Francisco watering hole where Valleywag used to hold weekly meetups with readers. But there was no mistaking the guy parked at the bar: It was Elon Musk, the CEO of Tesla Motors. He had driven up to surprise me at the behest of Adeo Ressi, the founder of VC-ratings site TheFunded.com, who was Musk's housemate in college. Matt Marshall, the editor of VentureBeat, also dropped by. Musk pressed a set of keys on me and offered a Tesla test drive; I

turned them down. Honestly, I figured I'd crash the thing, and I didn't want to put a further dent in Tesla's already parlous cash balance. But I finally agreed to go for a ride with Marshall. How was it, you ask?

Kind of boring. If you like amusement-park rides, you'll love the Tesla Roadster. If, like me, you sit there calculating the infinitesimal odds that the operator's insurers will allow a rollercoaster to actually pose any real danger to you, you'll hate it. I spent the ride up to Coit Tower and back thinking about how much coal was burned to generate the electricity now being thrummed away by the Roadster's motors.

Back at the bar, Musk was affable enough, considering I've hinted he's taking out his midlife crisis on his employees and may be scheming to take over Tesla Motors completely by running it into bankruptcy. He laughed at the last idea, and then thanked

me for the suggestion, saying he hadn't thought of that particular financial maneuver.

Musk still blames cofounder Martin Eberhard for Tesla's current straits. When Tesla raised its fourth round of funding in 2007, Musk says, Eberhard, then CEO, told investors that the Roadster's cost was \$65,000, giving it a \$25,000 gross margin. "It's right there on the slide, with Martin's name on it!" Musk told me. The company, he adds, was already in the middle of a search for a CEO to replace Eberhard.

A private-equity firm which had invested in Tesla sent some consultants to help Tesla sort out supply-chain issues, and they found that the Roadster's parts actually cost the company \$140,000. "We might as well have sent customers \$50,000 and saved the bother of making the car," said Musk. Former Flextronics CEO Michael Marks, a Tesla investor, confirmed their findings — and that's when Musk decided to fire Eberhard and replace him temporarily with Marks. Just as now, the company's cash position was running low, and Tesla tapped existing investors for new funding, despite having just raised a round. He revealed none of this at the time, he says, because it would have jeopardized the company's ongoing CEO search. (Not that that worked out particularly well; Musk installed Ze'ev Drori, then replaced him last month.)

That's Musk's version, anyway. I'm skeptical, if only from experience with Musk; when he was running PayPal, I remember him making statements that company insiders told me didn't match the facts. But as he was leaving to drive back to the Valley, Musk mentioned that his divorce from his sci-fi novelist wife Justine was a mutual matter; he got the paperwork in first, but she was getting ready to file papers, too. That, at least, checks out. I'm still not sure if I should trust Musk's account of what led Tesla to these perilous straits. But I do believe now that he's brave enough to drive a Roadster up to San Francisco and deliver it in person.

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EXHIBIT 30

Newsweek

An Electric Car Loses Its Juice

Tesla is a classic Silicon Valley project: it's late and over budget, still has bugs and, at \$109,000, costs more than planned.

Daniel Lyons

NEWSWEEK

From the magazine issue dated Nov 24, 2008

Tesla Motors didn't just set out to build an electric car. It set out to teach Detroit a lesson. Back in 2003, when these guys from Silicon Valley were launching their company, they didn't apologize for knowing next to nothing about the automotive industry. In fact, they took pride in this. They were rebels, disruptors, technogeeks operating at Internet speed—and they were convinced they could do better than the lumbering, clueless Big Three. Tesla's lead investor, Elon Musk, a charismatic Web entrepreneur who made a fortune as a cofounder of PayPal, last year boasted to *BusinessWeek* that "Silicon Valley is the best in the world at everything it does."

Well, five years after its founding, Tesla has shipped about 70 electric roadsters, and the car does in fact turn out to be a classic Silicon Valley product—it's late and over budget, has gone through loads of redesigns, still has bugs and, at \$109,000, costs more than originally planned. Tesla's first 40 roadsters went out of the factory with a drivetrain that needs to be replaced. (Tesla will do the rip-and-replace for free.) Its second car, a sedan, has been delayed until 2011. Tesla, based in San Carlos, Calif., has raised \$150 million and burned through almost all of it, plus millions more put down by customers in the form of deposits (the company won't give an exact figure). Now, hit by the downturn, Tesla has laid off 20 percent of its staff, closed its Detroit office and borrowed money to stay afloat.

In classic Valley fashion, Musk, 37, insists his company is doing great, despite the fact that a planned \$100 million funding round recently fell apart and the company's cash balance dropped to \$9 million before Tesla lined up \$40 million of convertible debt financing. "I really don't feel like we're on the ropes. We did some early retrenchment in the face of a tough market," he says. He claims Tesla has developed "the most advanced electric powertrain in the world," and even puts a positive spin on the layoffs, saying, "We're raising the bar on talent, raising expectations to a higher level."

But the past two years have been rocky for Tesla, which first announced it would build a big factory in New Mexico, then said it would instead build in San Jose, after California dangled incentives to stay in the state. Tesla also wasted precious time and money on a quixotic lawsuit against Fisker Automotive, a onetime supplier and now a competitor. Tesla, which hired Fisker to design its sedan, claimed Fisker did lousy work and then stole Tesla's ideas to develop its own hybrid sedan, the Fisker Karma. The case was tossed out on Nov. 3 by an arbitrator who scolded Tesla for making claims that "were baseless and neither brought nor pursued in good faith." Musk says the decision was "a miscarriage of justice, a pretty severe one."

Originally an investor in Tesla, Musk last month appointed himself CEO, having pushed out the company's cofounder and first CEO, Martin Eberhard, and then gone through two subsequent CEOs. He has invested \$55 million in Tesla and soon will put in "a bunch more," he says. "That's part of the reason I decided to take over as CEO. I have so many chips on the table. I need to steer the boat completely."

Eberhard, the ousted cofounder, says Musk interfered with the design of the roadster, demanding changes that were costly and led to delays. These included installing electronic door latches,

building a lightweight carbon-fiber body and lowering the doorsill by two inches. "It cost us \$1.5 million to lower that doorsill," Eberhard says. "We would have been better off to have a simpler car shipping a year earlier." Musk says his design changes were not the cause of delays. Eberhard says that despite Tesla's green-tech credentials, the roadster has a coolant pump that operates even when the car is parked, wasting as much electricity as two refrigerators. Musk says that will be fixed next month. Eberhard also gripes that Musk controls the board of directors, whose members include his brother Kimbal Musk. "I'm very unhappy about what's happened to my company" under Elon, says Eberhard, who still owns about 3 percent of Tesla. "I think he's a terrible CEO." Elon Musk responds that "Martin is the worst individual I've ever had the displeasure of working with."

One thing Eberhard is not complaining about is the car itself. He has the second unit built—Musk has the first—and says he drives it every day. This zippy two-seater runs entirely on batteries—it's pure electric, not a hybrid—and looks a bit like a Lotus Elise (not by accident, since its chassis is derived from that wonderful British sports car). The roadster can go 200 miles on a charge. Better yet, it goes zero to 60 in about four seconds, outgunning a Porsche 911. "It's a phenomenal car. I take people for rides and they just have big smiles on their faces," Eberhard says.

Tesla has received 1,200 orders and is cranking out 10 roadsters a week, Musk says. By next year, he expects to be producing 30 cars a week and turning a profit on each one. He says Tesla is still taking orders (it operates dealerships in Menlo Park, Calif., and Los Angeles), and soon will open service centers in New York, Chicago, Miami and Seattle. Musk says he's "absolutely certain" Tesla will not go out of business; he also says that if Tesla can't fill all its orders, he will personally pay back customer deposits. As for teaching Detroit how to build cars the Silicon Valley way? That will have to wait.

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EXHIBIT 31

Tesla nears profitability; Musk explains '07 ouster of CEO

01/22/2009, 1:14 PM

By Nick Aziz

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When Tesla co-founded Martin Eberhard was ousted as CEO in 2007, the reasons for his departure were not entirely clear. Elon Musk, the principle owner and current CEO of Tesla, has finally shed light on the matter. In an e-mail to customers explaining price increases, Musk said an audit by investors in 2007 found the cost to make the Roadster as planned would be a whopping \$140,000. With a planned selling price of \$92,000, it's easy to see the potential problem.

"An audit by one of the Series D investors in the summer of 2007 found that the true cost was closer to \$140k, which was obviously an extremely alarming discovery and ultimately led to a near complete change in the makeup of the senior management team," Musk wrote in the letter.

Musk further noted the current cost of making the car is between \$90,000 and \$100,000. Although the Roadster's base price is currently \$109,000, Tesla is fulfilling orders for customers who signed on when the base price was \$92,000 or \$98,000, meaning profitability is still slightly out of reach.

To help bridge the gap, Tesla has made the turbine-blade wheels a \$3,000 option, even though they were originally supposed to come standard. The high-performance charger, which allows a 3.5 hour home recharge, is also a \$3,000 option now.

From \$140,000 to \$90,000

So how did Tesla cut costs of \$40,000 or \$50,000 per unit? Musk explains:

"To bring the cost of the car down, we have reengineered the entire drivetrain. The body supplier was also switched out from a little company that was charging us nutty money and had a max production of three per week to Sotira, who supplies high paint quality body panels to Lotus, Aston Martin and others," he wrote.

"In the process, we had to pay several million dollars for a whole new set of body tooling, as the old tooling had been made incorrectly. The old HVAC system was unreliable and cost almost as much as a new compact car, so also had to be replaced. The wiring harness, seats, navigation system and instrument panel also had to be modified or replaced."

Profitability near

Musk said thanks to "a lot of additional effort by the Tesla team," the cost of making the Roadster model should be \$80,000 or less by summer. By then, the company will be delivering orders for customers who agreed to pay \$109,000 from the start.

With Tesla beginning to fulfill these orders, it's "realistic" to expect profitability in the middle of 2009, Musk said. He further stated the company will be building at least 30 cars per week by that point.

Musk said profitability is a requirement of the \$350 million in government loans the company is seeking. Tesla needs the loans in order to bring its \$60,000 Model S sedan to market on schedule. Otherwise, it will be delayed by 6 to 12 months.

"A key requirement is that any company applying be able to show that it is viable without the loans," he explained. "If we allow ourselves to lose money on the cars we are shipping today, we place those loans at risk."

"Mass market electric cars have been my goal from the beginning of Tesla. I don't want and I don't think the vast majority of Tesla customers want us to do anything to jeopardize that objective."

Musk was the founder of PayPal, which eBay acquired for \$1.5 billion in 2002. He also founded SpaceX, which recently received a multi-billion-dollar contract with NASA, and SolarCity, which continues to be profitable. As it turns out, turning a profit in the automobile industry is no easy task, even for an extremely successful entrepreneur like Musk.

A fair balance?

Musk expressed disappointment over having to charge early customers extra for options, but said he ultimately feels Tesla was able to strike a "reasonable compromise between being fair to early customers and ensuring the viability of Tesla."

He said Tesla's success is "obviously in the best interests of all customers."

While some customers will end up paying \$6,000 more than they planned, they will also receive a \$7,500 federal tax credit, thanks to a lobbying effort by Tesla.

"We made the pricing changes to ensure the viability of Tesla in the long term, regardless of government incentives, but we hope the credit will offset the increase for most customers," he concluded.

EXHIBIT 32



http://www.salon.com/tech/feature/1999/08/17/elon_musk/print.html



salon.com

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Fast track

Elon Musk is poised to become Silicon Valley's Next Big Thing. What put him in the driver's seat?

By Mark Gimeln

Aug. 17, 1999 | If Elon Musk had bothered to surround himself with the public relations handlers who monitor the average Silicon Valley gazillionaire, he would never, ever have been caught on camera climbing into his new MacLaren F1. The MacLaren F1, with its gull-wing doors, rear engine and center-mounted driver's seat, is essentially a road-ready version of a Formula 1 racer. Only 62 were ever made; the sticker price was 634,500 pounds sterling, and this is distinctly not a car that loses 30 percent of its value the moment you drive it off the dealer's lot. In fact, pretty much the only way of getting one is to buy it at a hefty premium from one of the current owners. (Ralph Lauren, the tweedy fashion designer, tried to buy this particular F1, but did not move fast enough, calling an hour after Musk had signed the deal.)

Musk was able to buy himself the coveted car because, at 28, he's already started and sold one Internet company -- namely, Zip2, a creator of online city guides that Compaq, the big computer maker, bought in April for a cool \$307 million in cash. (Musk and his brother Kimbal held about 12 percent of the company, and made out with tens of millions.) Now he is starting another, X.com, which may be the hottest company in Silicon Valley that you've never heard of. This makes Musk, in today's Silicon Valley-speak, a "serial entrepreneur." A better way of thinking of him, however, is as today's Silicon Valley It Guy -- a young man with a one-page r sum , a good Rolodex, an aptitude for programming, money of his own and a lot more backing him.

By the conventional lights of Silicon Valley, what Musk has done -- taking me down to the garage of his Palo Alto, Calif., condominium and posing for snapshots with the world's fastest production car -- is a gross mistake. If you think of the photographs that you have seen of the Silicon Valley elite, you might notice that there is, in general, a striking absence of photographs of the newly mega-rich posed with their cars and yachts. The public relations machinery of the technology industry exists largely to maintain the fiction that the multimillionaires contemporary California produces in unseemly abundance are really just average, cubicle-dwelling Joes.

The immediate punishment for breaking these rules, generally, is a whacking by the very same press that you are indulging. Musk almost certainly knows this, because the last time that Musk was written about at any length, he took some heat for asking Upside magazine to take his photo in a black 1967 Jaguar. Musk's detractors still cite the article as evidence of his outsized ego.

The funny thing is that Musk really does not seem to care. I find this, on the whole, endearing. Here's why: Modern business journalism is devoted to glowing profiles of corporate honchos and scrappy entrepreneurs. And yet there is an unwritten rule that these moguls and mini-moguls (with, admittedly, the exception of a very few mega-moguls at the level of Bill Gates) should avoid displays of the extravagance that their wealth so obviously permits. They are schooled not to evidence any concern about their public personas.

The problem with all this is that, in fact, the showiness, the chutzpah, the streak of self-promotion and the urge to create a dramatic public persona are major elements of what makes up the Silicon Valley entrepreneur. If they

were not, then people like Elon Musk, who already have tens of millions of dollars to their name, simply would not bother with starting a second company. Musk's ego has gotten him in trouble before, and it may get him in trouble again, yet it is also part and parcel of what it means to be a hotshot entrepreneur.

Musk's public presence may grow exponentially in the next few months because the company that bears the cryptic X.com moniker is almost overwhelming in its ambitions. Musk intends X.com to be a financial supermarket -- an online bank, mortgage broker, insurance vendor and mutual fund company all rolled into one.

The total banking experience that Musk brings to the enterprise is a college stint as an intern at a Canadian bank. The thought that he will succeed in building what is in essence the holy grail of online companies, while institutions like BankAmerica and Citicorp have been banging their manifold corporate heads against the seemingly insoluble problems of online banking for years, is amazing.

Musk's plans would probably be dismissed as a pipe dream if his venture was not being funded by one of the few really big names among technology investors. It is a name that I have promised not to reveal, but in Silicon Valley is one of about half a dozen drop-out-of-your-seat names -- a venture capitalist who can not only pour enormous amounts of money into the enterprise, but can also raise tens of millions from other investors just by picking up the phone.

Creating a "hot" Internet company involves a kind of alchemy that no one has yet developed into a science. In general, the biggest Internet "plays," as they are invariably referred to by the people who think of themselves as movers in the valley, are more about money than about ideas. Ideas are plentiful, but getting big consumer companies like X.com off the ground is largely dependent on getting backing from venture capitalists -- investors who are able to pour millions of dollars into and lend their credibility to a new enterprise.

Venture capitalists do not usually back ideas; far more often they back teams -- sometimes managers, sometimes engineers -- that they think will be able to "execute." Finding the right team is an almost obsessive concern.

Here's the thing that's really weird about Musk's plans, the part that, the more you think about it, the harder it is to understand: There is no very obvious reason why Musk is the person to pull this off.

He has no knowledge of banking. (If anything, the main lesson he took away from his short internship was a general contempt for corporate processes. "They didn't have just one coffeemaker there," Musk says. "They had a special coffeemaker for the executives. An 'executive coffeemaker.'") While an adept programmer, Musk does not think of himself solely or even primarily as a software engineer. He doesn't even have an MBA.

And yet ... Here he is in his Palo Alto office, well advanced on the project of starting a huge online bank.

Musk's own description of his talent, taken from an e-mail, goes like this: "I guess my talent/expertise is that I know how to build a killer Internet company with a solid foundation. I didn't know anything about the media business when starting Zip2, but figured it out along the way. Actually, I've found that being an outsider helps you to think creatively about improving the way things are done. When people have been doing things the same way for years, they stop questioning their methods even if they defy common sense."

This self-description is strikingly circular. Musk's talent for building companies consists of ... a talent for building companies.

It is awfully hard to figure out what this means. It is important to note that when it comes to technical matters, Musk's ability to deal with programmers is well-respected. Not long ago I talked to a president of an Internet company who was looking for some technical talent. He had asked around to find out who would know the best developers, and his sources had pointed him to Musk as the person with the best sense of whom to hire. However, Musk shot back an e-mail saying that if he knew of any great programmers for hire, he'd have signed them up himself.

There are plenty of people in Silicon Valley, however, who have enormous technical expertise, and more than a few who can put together a great team of engineers. Moreover, Musk does not think of himself as a chief technology officer, and would undoubtedly recoil at a description that brands him as simply a "techie."

I had come down to X.com's office, a cramped space above a bakery not far from the Stanford University campus, to understand what makes up the constellation of talents of the killer entrepreneur. I will tell you right now that I did not find the full answer, but I think I did find a few hints.

To understand where Musk is coming from, you should understand the history of his first company. It is instructive -- and it is very different from what you might expect of a short bio of a mega-millionaire netpreneur.

Having grown up in South Africa, the son of a South African engineer and a Canadian model, Musk left home at 17 to go to Kingston, Ontario, and enroll at Queen's University. He went without his parents' support, motivated in no small part by the distasteful prospect of compulsory service in the South African military. ("Who wants to serve in a fascist army?" Musk asks, reasonably enough.) He got a scholarship and transferred to the University of Pennsylvania, where he received an undergraduate business degree from Wharton, and stayed on another year to finish a second degree in physics. He went on to a graduate program in physics at Stanford, in which he stayed exactly two days before dropping out to start Zip2.

Seeing the future in the Net, Musk, a self-taught programmer, started building the software that Zip2 would use to put newspaper-style ads and directories on the Web. Musk claimed no special knowledge of or insight into the future of the media, aside from the simple and fairly obvious principle that a lot of what newspapers did -- entertainment guides, classified ads -- worked better online. In 1996, a Silicon Valley venture capital firm gave him \$3.5 million for a little less than half his company (his brother Kimbal and a friend, Greg Kouri, had joined up along the way).

Several months later, Richard Sorkin, a more experienced manager, joined up to run it. For venture-backed companies with young founders, bringing in a more experienced CEO is a fairly common practice; in fact, Musk helped hire Sorkin. But in this case, the outcome was a series of ego clashes that almost shut down Zip2.

From early on, Sorkin and Musk disagreed on strategy. Zip2 was not a "consumer" company with a big brand name. The sites it created for the New York Times and other smaller newspapers bore the names of their sponsoring papers, with a little logo and the words, "Powered by Zip2." To users of its sites, Zip2's work was almost invisible. Sorkin wanted to concentrate on dealing with Zip2's customers and financiers. Musk, according to Sorkin, wanted to be in the public eye.

"There were disagreements over the priority of general visibility for the company," says Sorkin in perfect corporate-speak.

I asked Sorkin if it was true that Musk, in the words of another associate, wanted to see his picture on the cover of Rolling Stone. "Yes," he said. "For Elon that's what general visibility meant."

In 1998, Zip2 announced plans for a merger with a competing city guide company, Citysearch. At the time, both companies were in the dangerous position of competing with Microsoft's Sidewalk city guide service, then generally believed to be the behemoth that would crush any small players. A merger was seen as a major coup in a war in which no one expected more than one or two big survivors.

The merger was approved by the two companies' boards of directors, press releases were sent out and there were congratulations all around. Problem is, it never happened.

At the last minute, Musk says, he had a conversation with Charles Conn, the chief executive of Citysearch, and decided he didn't trust him. In theory, the terms of the merger had Musk staying on as an executive vice president. In practice, says Musk, after talking with Conn he felt that the Citysearch CEO would force him out in a matter of months. Musk and his brother withdrew their approval. The boards of the two companies met in Santa Fe, N.M., and called the whole thing off.

Says one senior participant in the negotiations, "The merger came apart over the inability of the people involved to work together."

The result wasn't pretty. A failed merger is the corporate equivalent of a wedding that is called off after all the relatives have been invited. Everybody would rather forget it. As a result of the soured deal, Citysearch was forced into a merger with Ticketmaster Online, the national ticketing company.

Meanwhile, Zip2 faced a worse fate. Both Musk and Sorkin, who supported the merger, wound up losing out. Musk gave up the position of chairman of the company. Sorkin became chairman in name only, effectively losing his job. Derek Proudian, a venture capitalist with the firm Mohr Davidow, Zip2's first investor, took over as acting chief executive officer. In general, when a venture capitalist -- who is essentially a money manager -- comes in to actually run a company, it is a sign of major trouble. Compaq's decision to buy Zip2 in February 1999, in fact, might count as one of the more notable corporate rescue missions in Internet history.

By the traditional standards of corporate America, it was a dismal showing. On the corporate report card, Musk's grade for "plays well with others" would have been a solid F. For a senior executive at a multimillion-dollar company, boardroom maneuvering is what management consultants might call "a core competency," and Musk seems to have indicated a definite lack of talent.

And yet, put simply, it just doesn't matter, because what matters in traditional corporations is not what matters in a start-up. In start-ups, ego wins. What Musk is, and what his backers are looking for, is a believer -- someone whose very ignorance of corporate manners allows him to induce a whole company to come together and embark on an ill-defined but promising course.

In one conversation with Musk, I asked him how he imagines the advertising for X.com will look. In this, as in everything else, Musk does not pretend to be an expert. His perspective is just that of a gifted amateur.

"You know the ads for Tide?" Musk asks, "where there's a name brand and brand X, and brand X always loses? Well, our ads can be like that except that brand X wins."

It is too easy an analogy to say that Musk himself is Silicon Valley's Brand X, the young entrepreneur with a very peculiar combination of calculation, bravado and expertise in nothing in particular. There is, however, some truth in it. There is so much money to be made off the Internet, and most of the experts don't know where to start. None of the traditional talents seem to correlate with success. The only one that seems to really matter is the peculiar ability to get started.

Everybody in Silicon Valley is looking for the lucky guy who can lead them to the big score. There is a talent that Musk has, but nobody can put his finger on it. It seems in some way to be connected to the mixture of brazenness and guilelessness involved in bringing a reporter down to the garage to see your million-dollar car. It is undoubtedly connected to the egotism that makes him unsuited to corporate maneuvering. Maybe Musk really has a special spark that lets him think more strategically than everybody around him. Maybe Musk really is the next big thing. Or maybe he has just managed to make his backers believe that he is the Brand X, the next superstar. In today's Silicon Valley, the difference between being the next big thing and looking like it may not even matter.

-- By Mark Gimein

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EXHIBIT 33

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Posted 4/15/2003 11:47 PM Updated 4/16/2003 2:32 AM

Taking a cheap shot at space

By Matt Krantz, USA TODAY

EL SEGUNDO, Calif. — At just 31, Elon Musk is worth \$200 million after selling one Internet business, Zip2, to Compaq for \$307 million and then another he co-founded, PayPal, to eBay for \$1.5 billion.

You might think he would loaf around his new Bel Air estate or cruise Sunset Boulevard in his McLaren F1 — the fastest production car available.



AP file

But Musk is back in the company-launching business. This time though, he's looking way beyond the Internet. Space is Musk's newest frontier.

Musk

And an unlikely one at that, considering Musk has no cosmic experience and dropped out of Stanford University's doctoral program in physics before attending a class. Yet he started SpaceX, or Space Exploration Technologies, to build a rocket that he says will cost only a third as much as current models. He wants governments, universities and

businesses that need an inexpensive way to get satellites into space to turn to SpaceX.

Though Musk is still trying to find enough qualified employees to fully staff his company, he plans to successfully launch a rocket by the end of the year, in time for the 100th anniversary of the Wright Brothers' first flight.

Musk dreamed up the company after marveling with a friend last year how little innovation there's been in space exploration since man first landed on the moon almost 34 years ago.

He figures that rockets simply cost too much. "We got to the moon ... but have never done anything better since," Musk says.

Starting a rocket company may not be as far-fetched as it sounds. Musk says most rockets now are made by a few large companies such as Boeing and Orbital Sciences, which face little competition and have not had to worry about controlling costs because they were at least partially bankrolled by the U.S. government.

Musk is completely funding SpaceX and placing his hopes on a 68-foot tall rocket called the Falcon Explorer. He says the Falcon will cost just \$6 million to launch, which is a third of the going rate.

Although Musk is no rocket scientist, he insists there are many technical reasons why the Falcon will be cheaper to launch and operate. For the layperson, he explains it this way: The Falcon is designed to be "a truck, not a Ferrari."

Current rockets are designed to have ultra-high performance, often to the point of far exceeding the thrust needed to get the job done. But that propulsion overkill comes at

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a cost — often meaning the launch vehicle costs three times as much as the actual satellite being put into orbit.

Musk says the real mystery isn't why his rocket is going to be so cheap, but why his competitors' cost so much.

If Musk can offer cut-rate satellite launches, it will finally make space accessible to scores of universities and companies eager to do experiments outside the Earth's atmosphere, says Chuck Kline, a spokesman for the Federal Aviation Administration's office of commercial space transportation.

Currently, the high cost means only a handful of launches occur each year. "If Elon gets the price down that low, he will develop a market," Kline says.

Big task, but on track

Musk knows breaking into the rocket business, even for a really rich guy, isn't easy. Upstart Beal Aerospace is a good example.

Founded in 1997 by banker Andrew Beal, Texas-based Beal was forced to shut down in October 2000 because of cost overruns and schedule delays.

Beal blamed the company's failure on the fact the U.S. government has programs that supported competing rockets from Boeing and Lockheed Martin.

Musk is aware of such risks and keeps them in mind while working with his 22 employees out of a converted factory in El Segundo, Calif., in the heart of one of the world's thickest concentrations of defense and aerospace companies.

The key to success, Musk figures, is tapping the top space talent peppered throughout Southern California. Even before moving to the area, in October 2002, Musk cold-called experts in the space industry to brainstorm ideas for a new business.

One, Mike Griffin, was skeptical at first. After all, the former NASA engineer and scientist at Orbital Sciences had seen many rocket companies come and go. But Griffin said if Musk could build a reliable, inexpensive rocket, customers would line up.

To get the job done, Musk is luring top talent from large defense companies that have experience building rockets. Tom Mueller, the company's vice president of propulsion, used to head liquid rocket propulsion development at TRW Space & Electronics.

As crazy as Musk's plans may seem, he's had some success already. The first stage of the two-stage rocket was successfully fired at a 300-acre testing facility in McGregor, Texas, the same test facility was used by the now-defunct Beal.

Musk says the project is on schedule and that the first Falcon will fly Dec. 17. If that launch goes off without a hitch, Musk says he has two customers lined up — one of which is the U.S. government.

Career started with video game

Musk's bold venture into such a challenging business fits his character. Born in South Africa, Musk showed entrepreneurial leanings early. At 12, he taught himself how to write computer code and designed a game called "Blast Star" that blended "Space Invaders" and "Asteroids." He says he sold the code to a computer magazine for \$500. "When you're 12 years old, \$500 is a lot of money," he says.

But Musk felt isolated in South Africa, being so far from the burgeoning U.S. software industry. At 17, relying on his mother's Canadian citizenship, Musk packed up and moved to Canada by himself. Eventually, he transferred to the University of Pennsylvania, where he earned undergraduate degrees in physics and business.

Then in 1995, Musk was about ready to begin his doctorate at Stanford when he was entranced by the Internet furor going on around him in Silicon Valley. "I could either watch it happen, or be part of it," he says. Short on money, Musk looked for a business that would generate cash quickly. He founded Zip2, which helps newspaper companies put classified ads and other local information on Web sites. He later sold

Zip2 to Compaq for \$307 million — in cash.

He used that to start his next business, X.com. It offered a variety of banking services to consumers, but the most popular feature was the ability to e-mail money. Later, X.com acquired the rights to the name "PayPal" and focused on improving its e-mail money feature. PayPal soon became a favorite among users of eBay to make payments. Just months after PayPal went public, eBay bought it.

At this early stage, there's no telling if Musk will have the same success sending rockets into space as he did e-mailing money. But he argues there really isn't that much difference between delivering electronic payments and putting satellites in orbit. Starting and growing a business is as much about the innovation, drive and determination of the people who do it as the product they sell.

"This is the chance to fulfill a dream," Musk says.

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February 15, 2008 4:00 AM PST

Newsmaker: Elon Musk on rockets, sports cars, and solar power

By [Michael Kanellos](#)
 Staff Writer, CNET News
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There is definitely something unusual about Elon Musk.

After dropping out of a graduate program in physics at Stanford University after two days, he formed [Zip2](#), which [Compaq](#) later [bought](#) for over \$300 million. He went on to help found PayPal and make a second fortune. Now, he's the founder and chief executive of Space Exploration Technologies, which puts satellites into orbit. He's also chairman of electric-car company Tesla Motors (Musk owns the [first vehicle that came off the factory line](#)) and Solar City, a rapidly growing solar-panel installer.

He also has five kids, all under the age of 5. Oh, and he's under 40. But rather than coming across as a frantic whirlwind of energy, he comes across as cerebral, precise, and calm. You'd think his only obligation for the day is grading final exams.

Musk sat down with Editor at Large Michael Kanellos recently to talk about the future for electric cars, biofuels, and how much it costs to launch a rocket.

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Q: First off, I think everyone wants to know how does the Tesla Roadster drive?

Musk: I would say it's great. According to one of the car magazines, either *Car & Driver* or *AutoWeek*, it's apparently the best kind of mid-speed acceleration of any car they ever tested. So that's perfect for when you're driving on the highway and you want to make a lane change or something like that. It's incredibly responsive, so it's a very, very fun car to drive.

You haven't been hit or scraped it yet?

Musk: No, I just basically drive from Tesla (in San Carlos, Calif.) to Palo Alto. I drove a little bit around Stanford and I picked up an anniversary gift for my wife on University Avenue.

You've proven that electric cars are viable and you've brought the concept back from the past. It seems the most interesting intellectual aspects of the challenge have been accomplished. Why don't you sell the company?

Musk: Well, my motivation behind Tesla is really to do as much good as possible for the environment and the electric-vehicle revolution. I think there is still a lot of work to do and if we were to sell to a big company, I'm not sure it would progress at the same pace.

You see awfully big auto companies now putting a lot more emphasis on electric and hybrids. Do you think they are serious? In the past, people have accused them of doing these projects for window-dressing.

Musk: I think it depends on the company. Toyota is really very serious about hybrids and GM is, I think, pretty serious. The tide of history is really becoming difficult to avoid. It's really very much in the direction of hybrid and also for electric vehicles.

I should say our focus right now is very much on the Roadster and ramping up the production rate, making sure our supply chain is secure, ensuring that the variable cost of the car is kept low, so that we get quite good margins, and making sure we don't have our overhead grow out of control. What Tesla is focused on right now is producing a compelling car at a compelling price and making sure that the business fundamentals are good.

My motivation behind Tesla is really to do as much good as possible for the environment and the electric-vehicle revolution. I think there is still a lot of work to do and if we were to sell to a big company, I'm not sure it would progress at the same pace.

Can you give us an update on Whitestar, the sedan?

Musk: The only thing that's significant outside the Roadster is that we have a portion of the company and its resources allocated to the sedan, which is code-named Whitestar. We need to think about the actual name, but the sedan is coming along. We are about to finish the styling on the sedan and hope to unveil it in the second quarter of this year. The working prototype would be later this year.

What sort of factory footprint and capital are you going to need or will you need for building a sedan?

Musk: It's a good question. For the Roadster, our volume is only 1,000 to 2,000 (units) a year. The sedan—we're having to increase that by a factor of 10, which will go to 10,000 to 20,000 a year, but still not large by the major car company standards. The starting price hopefully will be somewhere in the \$50,000 to \$60,000 range. We're finalizing the factory location position in the next few months, maybe even this month.

Is the factory going to be in Albuquerque?

Musk: That is the default location, but we're just making sure before we fully commit that that is the correct location. It's the most likely location. We were awarded a pre-approval by the Department of Energy for a government-guaranteed loan, which will cover the majority of the

Whitestar production costs, or the capital cost of the battery.

So you don't even intend to refund the company before you start production of Whitestar?

Musk: No. There probably will be some equity funding. The Department of Energy loan guarantee covers a substantial portion of the Whitestar, the majority of the Whitestar productions, but it's not all of it.

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Auto Revolution

by [masonx](#) February 15, 2008 10:51 AM PST

With the advent of all the custom car shops around the country, the popular interest in the "Pimp My Ride" type media programs and now the push toward more eco friendly power plants, it seems to me that we may have started a major paradigm shift in the US auto industry - a revolution if you will. When you couple the aforementioned custom auto shop production with new paradigms in computer inventory control of an entire universe of company's that produce auto parts and components both for the big three as well as after market distributors, isn't it possible that the outcome is going to be a lot of small auto production custom company's catering to the exact needs of the driving public? Isn't that what the custom shops are doing already? If I'm not mistaken the prices of custom shop cars and mid-range luxury cars have crossed - so having a car design custom fitted to your needs is now economically attractive.

I ponder all this in the light that I can't find a vehicle that meets my family's needs and I have been itching to have one designed that did. We have past the sports car stage and now we need a vehicle that is a cross between an SUV and van. It has to be all-wheel drive with a multi-purpose interior so that we can haul passengers in comfort or fold down the seating and haul a load of plywood for weekend projects - or stick our dive or windsurfing gear in the bed, turned easily into a weekend camper. All of this on top of a fuel efficient drive system that can compete effectively in turnpike traffic speeds, or maneuver in tight parking areas. That's impossible you say - you would be right if you only consider what's currently being made.

Reply to this comment

by [a3037](#) July 10, 2008 10:08 AM PDT

It sounds like what you need is a hatchback or a wagon.

A few things i'd like to say

by [wildchild_plasma_gyro](#) February 15, 2008 12:24 PM PST

Looking at the Californian Power grid data the other day as you do. To be honest i cant remeber why i was but anyway i notice it can capacitate a little bit more use from these cars and your role out plans do look quite nice in Synch with very plausible Molten Carbon Power station role outs that could later hold up the grid demand.

Another thing and i'm not sure how revolutionary what i'm about to say is, is this. When you recharge a battery you are inducing Electricity into the Chemistry to give it charge once more.

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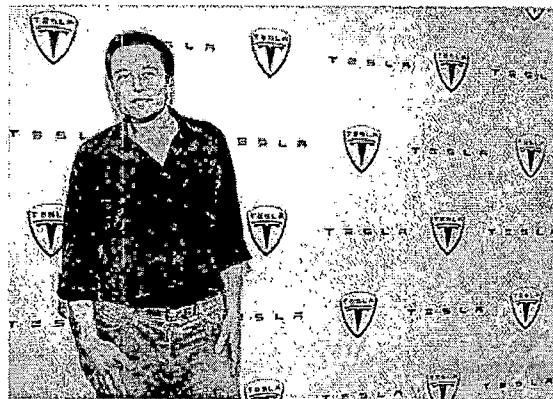
How Elon Musk Works

by Jane McGrath

Browse the article [How Elon Musk Works](#)

Introduction to How Elon Musk Works

One of the most interesting things about how Elon Musk works is the fact that he does work — because, really, he doesn't have to. His ventures in the Internet world earned him a considerable fortune. By his early 30s, he was already worth about \$200 million. But when people ask him why he hasn't retired — or bought himself an island, for that matter — he claims he'd simply get bored. Instead, Elon Musk decided to enter one of the riskiest, costliest, most unforgiving businesses there is: the space business.



Vince Buccell/Getty Images

Elon Musk is using the fortune he made from Internet businesses to invest in space exploration.

Unlike many of the other private attempts to enter space, Musk's rockets are built to enter Earth orbit or beyond, which is a bigger challenge than merely reaching suborbital heights (something SpaceShipOne accomplished). And although Musk has proven his business savvy through several successful ventures (he's linked to PayPal, for one), he's surprised everyone with his space aspirations. Not easily discouraged, he explained in one interview that people are too easily frightened by risk — in fact, they all too often overestimate the risk involved [source: TIEcon].

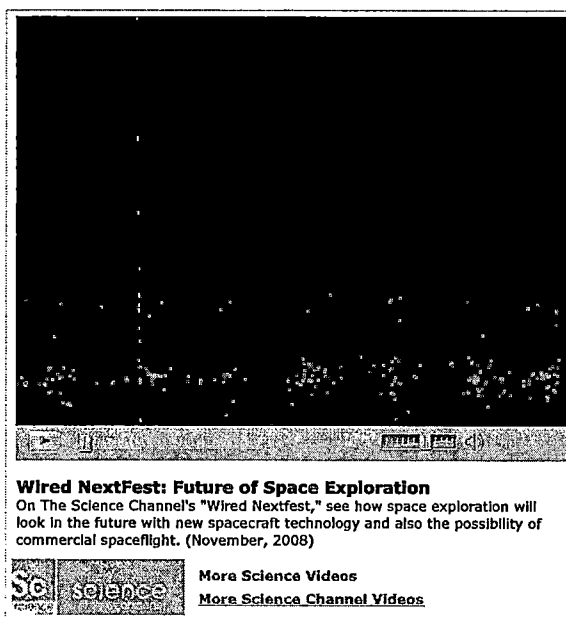
Musk continues to push the limits of expectation, and, as a result, was named the Inc. Magazine 2007 entrepreneur of the year [source: Chafkin].

Born in South Africa in 1971, the computer bug bit Musk at an early age. At a mere 12 years old, he wrote code for a video game that he sold to a computer magazine. When he was 17, he moved to Canada on his own and eventually ended up in the U.S. at the University of Pennsylvania where he earned degrees in physics and business. Afterwards, he was set up to begin a graduate program at Stanford in 1995.

But he chose to drop out of the Stanford program before classes began. The Internet was emerging and business opportunities were too tantalizing for Musk to ignore. What did he do next? Find out how he raised his fortune on the next page.

Us and Them: Private Companies Give NASA a Run for Its Money

Musk isn't the first to attempt privately funded expeditions to space. Scaled Composite's SpaceShipOne made the first manned flight to suborbital space in 2004. Space Adventures Inc. has sent several tourists to space, and companies like XCOR Aerospace and Blue Origin are working toward building suborbital spacecraft. Bigelow Aerospace is even designing a space hotel.



Elon Musk's Business Ventures

After ditching the Stanford program, Elon Musk broke onto the Internet scene. He devoted the next four years to a company he started, Zip2. Zip2 enabled companies to post content on the Internet, such as maps and directory listings. With an investment deal, Musk gave up much of his control of the company. But he made out like a bandit when Compaq bought Zip2 for \$307 million (in cash), which was the biggest sum paid for an Internet company up to that time. Musk walked away from Zip2 with \$22 million at 28 years old [source: [Watson](#)].

But his Internet energy was far from sapped. Next, he founded a company called X.com, which offered online financial services. Eventually, X.com merged with another company, Confinity, which had developed a service you've probably heard of – PayPal. PayPal provided customers with easy and secure payment transactions over the Internet. Musk came out ahead again when eBay bought PayPal for \$1.5 billion in 2002 [source: [Watson](#)].

After eBay took over PayPal, Musk left the Internet behind, bored with the challenge. He then turned to three other ventures: Tesla Motors, SolarCity and, the most ambitious of all, SpaceX.

The Tesla Motors venture centered on the development of an environmentally friendly sports car, the Tesla Roadster, which has challenged people's conceptions about electric cars. The car charges overnight, uses no gasoline, and Tesla claims it goes from zero to 60 mph (96 kph) in less than 4 seconds.

Another one of Musk's projects, SolarCity, also focuses on conserving resources. He combined several solar power companies to form SolarCity, a California-based company that offers solar panel installation services. By offering a cost-effective installation, Musk hopes to help many people reduce their carbon footprints.

He has even used SolarCity to mount solar arrays on the roof of a facility for SpaceX, his commercial space company. He hopes SpaceX will reduce the cost and increase the reliability of space travel by a factor of ten. Next, we'll talk about how he plans on accomplish this goal.



Chris Weeks/vwireimage/Getty Images
Elon Musk made his fortune starting Internet businesses Zip2 and X.com.

Giving Back

Elon Musk also established the Musk Foundation which offers grants for research and educational endeavors in renewable energy, science and engineering, pediatrics and human space exploration.

Elon Musk and SpaceX: Internet Wiz Turned Rocketman

Elon Musk started SpaceX in 2002 with comparatively little background in rocket science. For only having an undergraduate degree in physics and keen business sense, he's got inspiring confidence. In an audacious move, he has hired professional engineers to build rockets from the ground up instead of buying rockets from other, established rocket-building companies. And these rockets, he hopes, will take payloads and humans to Earth orbit and beyond.

Before we delve into his SpaceX rockets, we'll need some generalized education on rockets. If you've read [How Rocket Engines Work](#), you know that the rocket's get-up-and-go revolves around the same principle that thrusts a burst balloon. In essence, the rocket (and the balloon) throw force one way in order to move them the opposite way. The air in a burst balloon quickly escapes through its hole, propelling the balloon in the opposite direction. In the same way, a rocket moves up by burning fuel and sending the exhaust through a downward-facing nozzle. This kind of thrust means that a rocket can move through the air as well as the vacuum of space. Space-faring vehicles rely on very powerful rockets to break through the Earth's atmosphere.

Although the concept of rockets is simple enough, the process of making a safe and reliable rocket is a bit more complicated. NASA has spent billions of dollars and several decades trying to perfect rocket science, and mistakes still happen.

But Elon Musk, who wasn't even alive when the first man walked on the moon, is frustrated with how long it's taking space exploration to achieve another

But Elon Musk, who wasn't even alive when the first man walked on the moon, is frustrated with how long it's taking space exploration to achieve another major milestone. He's also just as frustrated with how much money NASA spends on the space program. Business sense dictates that the costs of space exploration would have decreased in the decades succeeding the Apollo moon landing. That hasn't been the case, however, and Musk thinks inefficiency is to blame.

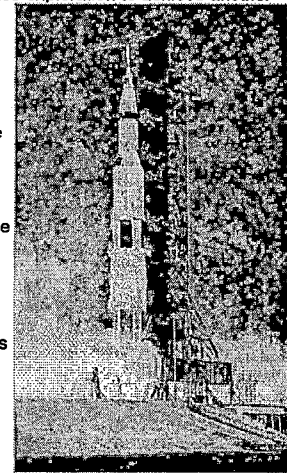
NASA, he claims, spends an inordinate amount of money for only slightly better performance [source: Hoffman]. Musk believes private companies, instead, must improve the reliability of space exploration and keep the costs low. For those who balk at this goal, he argues that better performance does not equal reliability – an expensive Ferrari can be unreliable while a cheap Honda can be very reliable [source: Reingold].

Although Musk is known to be a stern boss, he's far from a heartless mercenary; he claims he's doing all this to save the world. Fearing the end of natural resources on Earth, Musk believes it's paramount to work toward colonizing Mars. He believes his SpaceX organization can send reliable rockets into space for much less money than NASA spends. Musk has said he aspires to be the "Southwest Airlines of space" in terms of low-cost human travel [source: Foust].

Before he can send people to Mars, however, he'll need to get his rockets into orbit. Next, we'll take a look at the Musk's Falcon rockets.

Take that Cash with Both Hands

Elon Musk is a Trustee for the X PRIZE Foundation, a group that offers prizes, such as the Google Lunar X PRIZE, to private organizations that accomplish great feats in space. Musk has even offered competing companies discounted prices to hitch a ride on a launch of his Falcon rockets [source: Cingely]



Time Life Pictures/NASA/Time Life Pictures/Getty Images

Musk wasn't even alive during this liftoff of Apollo 11, the first manned journey to the moon.

Falcon 1 Rocket

SpaceX's first launching vehicle model, called the Falcon 1, is a **two-stage rocket**. Space-faring rockets use multiple stages in order to boost themselves into high altitude. A rocket changes stages when expendable engines burn up all of their fuel and drop off the spaceship. That leaves the other engines to keep the rocket going. This process is necessary because it takes a lot of fuel to launch a rocket, and letting go of used, empty vessels rids the vessel of excess weight. The NASA space shuttle also sheds its solid rocket boosters during flight. Also, keeping the Falcon launches down to two stages minimizes the potential for damage that can occur during separation.

SpaceX's first attempts at launches used the Falcon 1, which uses one engine per stage, the Merlin engine and the Kestrel Engine, both designed by SpaceX. The Merlin engine, which powers the first stage, originally used an **ablative** cooling method, meaning that the engine has a protective coating that breaks away as it absorbs heat. But after this method proved problematic, Musk changed the Merlin to include a **regenerative-cooling** method, which is a common cooling process that runs a special coolant through the engine to relieve it of some heat using convection. This heated coolant then works as a propellant for the engine. SpaceX designed the first stage section of the rocket to fall to water with parachutes. That way the rocket is reusable, which makes multiple launches significantly less expensive.

The second stage (also known as the upper stage) employs a Kestrel engine, which is cooled with both ablative material and a **radiative-cooling** method. Applied primarily for low-thrust engines, radiative cooling uses walls that sustain high temperatures. The heat it absorbs then gets radiated off into the rocket's exhaust.

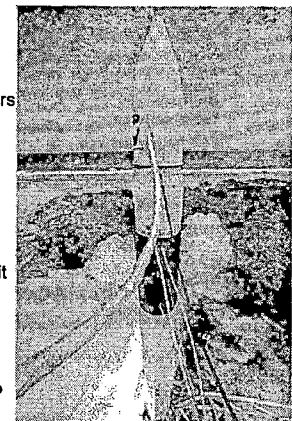
The Falcon 1 burns liquid oxygen and a special grade of kerosene to achieve thrust. The main structure is made of **aluminum alloy**. It also incorporates a **common bulkhead**, which is a shared wall between the fuel and the oxidizer in the rocket. This insulated wall keeps the two chambers at different temperatures but consolidates materials, which makes the rocket lighter. Before liftoff, the rocket is actually held in place for a period after the engines start as engineers make sure the systems are running properly. This process is common for commercial airplanes, but less so for rocket launches.

In March 2006, Musk and his SpaceX launched the maiden flight of Falcon 1. The rocket was carrying an experimental satellite that cadets from the U.S. Air Force Academy constructed. Unfortunately, having already experienced several delays, the Falcon 1 failed 29 seconds after liftoff, still in its first stage. The Falcon 1's main engine caught fire [source: Berger]. The Falcon 1 was launched again in March 2007, and this time it performed significantly better. But ultimately it failed to reach orbit. An engine failed 90 seconds too soon, and the rocket only achieved an altitude of 180 miles (290 km) [source: SpaceX]. Heavy vibrations caused the fuel to slosh around and the rocket to waver and fall [source: Chafkin].

Despite these failures, Musk plans to keep trying with the Falcon 1, and with a slightly altered version, the Falcon 1e, to be finished in 2010. Meanwhile, SpaceX is already at work designing another model of Falcon rockets, the Falcon 9, which we'll talk about next.

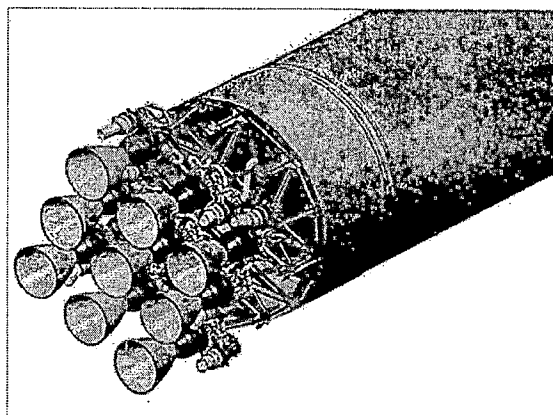
SpaceX's Falcon 9 Rocket

The **Falcon 9**, the next SpaceX Falcon, is also a two-stage rocket. But the Falcon 9 is much larger than the Falcon 1. In fact, it's so much larger, it uses nine Merlin engines for its first stage instead of one, like its predecessor. Using nine engines for the first stage allows SpaceX to live up to its promises of reliability. If at any time an engine failure occurs, the other working engines can easily and safely pick up the slack [source: SpaceX].



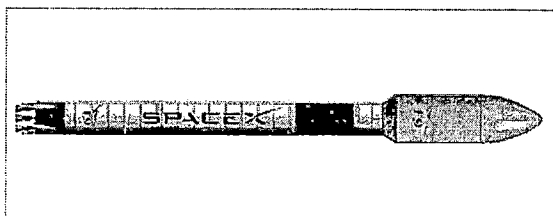
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Falcon 1 taking off in March 2007



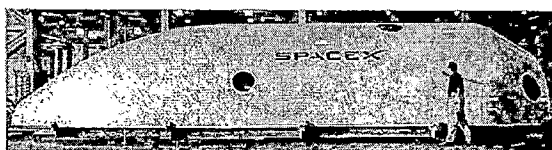
Space Exploration Technologies Corporation
Close up of the nine engines on Falcon 9.

The second stage only uses one engine. And, unlike the Falcon 1, its second stage uses a Merlin engine, not a Kestrel. The Kestrel doesn't achieve as high a **specific impulse** (a measure of thrust) as the Merlin. In fact, Musk claims that the Merlin can achieve higher performance than any other gas-generator cycle kerosene engine ever built [source: [SpaceX](#)].



Space Exploration Technologies Corporation
Illustration of Falcon 9.

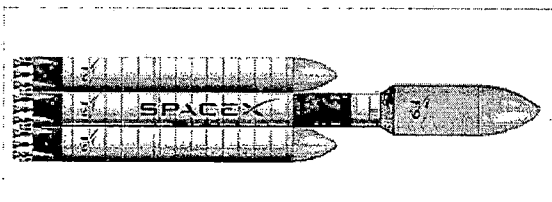
Using Merlin engines allows SpaceX to cut costs, which, next to reliability, is a high priority for Musk [source: [Foust](#)]. The Falcon 1 has a reusable first stage, but both stages on the Falcon 9 rocket are fully reusable. Another cost-saving technique SpaceX employs on the Falcon 9 is to use much of the same materials for the second stage structure as it does on the first stage structure. Using the same material means, for instance, that it uses the same methods to manufacture and that there's no need to buy new tools [source: [SpaceX](#)].



Space Exploration Technologies Corporation
To give you an idea of how large Falcon 9 is, here's a shot of the quarter section of the Falcon 9 fairing at SpaceX's Hawthorne, Calif., headquarters.

As with Falcon 1, the Falcon 9 also is held down after the engines start to allow SpaceX to verify that the systems are working properly. But the Falcon 9 has another safety feature that distinguishes it from Falcon 1: Kevlar shields on the engines that protect them from damaging debris.

SpaceX has also started to build a structure it calls the **Falcon 9 Heavy**. As the name indicates, it's a larger structure than the normal Falcon 9. It's larger so that it can carry heavy payloads into space. The Falcon 9 Heavy is simply a Falcon 9 with two more Falcon 9 stages strapped on either side of it. Each of the strapped-on rockets has nine engines. These extra 18 engines work together as boosters to accommodate a heavy payload. SpaceX hopes to have this structure up and running by 2010.

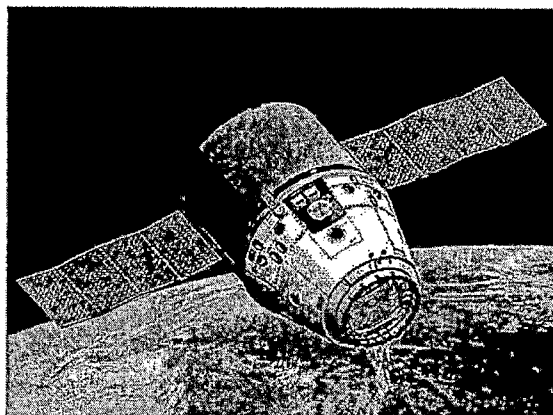


Space Exploration Technologies Corporation
Falcon 9 Heavy

So far we've only been talking about the launching vehicles, but for SpaceX to send humans into space, it will need the Dragon, which we'll talk about next.

SpaceX's Dragon Spaceship

Whoever heard of a falcon carrying a dragon? It's a scenario that could only come out of Elon Musk's imagination, and he's making it happen. SpaceX's spaceship, called the Dragon, will launch on the Falcon 9 to carry cargo and crew into space.

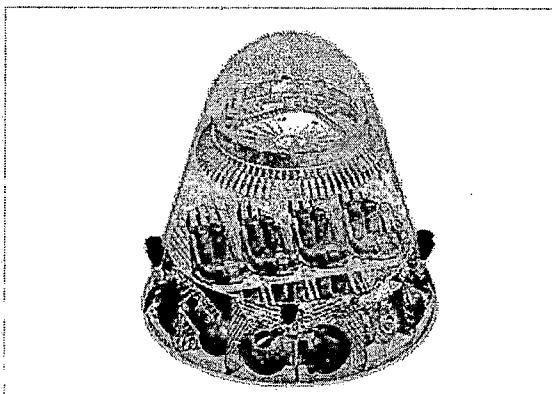


Space Exploration Technologies Corporation
Dragon spacecraft (capsule and trunk)
 with solar panels deployed

According to the SpaceX Web site, the capsule portion of the Dragon spaceship includes three sections:

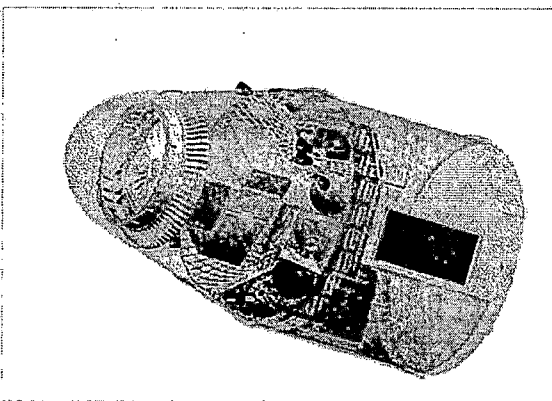
1. **Nosecone:** The aerodynamic, protective top of the spaceship.
2. **Pressurized section:** This section includes the crew or cargo that needs to be pressurized.
3. **The service section:** This section holds necessary elements such as the **reaction control system (RCS)**, which helps direct the movement of the ship, the parachutes for landing back on earth and **avionics**, which refers to aviation electronics.

An unpressurized section or "trunk" will house cargo that doesn't need to be pressurized during flight. When the Dragon is equipped for human transport, it will include controls that will allow the crew to take over the ship, as well as an escape system and a life support system. The design allows room for seven on board crew members.



Space Exploration Technologies Corporation
Dragon capsule in crew configuration

During re-entry to the Earth's atmosphere, the Dragon will benefit from an ablative covering and heat shield to allow it to sustain high temperatures. Specifically, the material is known as Phenolic Impregnated Carbon Ablator (PICA), an extremely heat-resistant material developed by NASA [source: Musk]. The systems can then steer the ship toward a water landing, aided by parachutes. Finally, ships come to pick up the Dragon and its crew.



Space Exploration Technologies Corporation
Dragon spacecraft in cargo configuration

One thing that's helping to speed along the development of the Dragon is SpaceX's partnership with NASA. When NASA retires the Space Shuttle in 2010, it won't be sending missions up to the International Space Station (ISS) for five years. So NASA has been reaching out to private U.S. space organizations to use the ISS in its absence. NASA hopes SpaceX's Falcon 9 and Dragon will put the U.S. in the ISS.

NASA gave Musk's company an indefinite delivery/indefinite quantity (IDIQ) contract, which means that NASA will wait to specify exactly what SpaceX's mission is, or even how many missions it will do. But what they do know is that the contract could total up to \$1 billion. Although SpaceX plans on providing the Dragon for a cargo flight in 2010, Musk hopes to provide both cargo and crew on the Dragon to the ISS eventually [source: [Morris](#)].

So, it seems, despite setbacks, both Musk and NASA are confident SpaceX ships will make it into orbit. Only time will tell if Musk can colonize [Mars](#). Until then, take a look at the outer space articles listed on the next page.

Lots More Information

Related HowStuffWorks Articles

- [How do satellites orbit the earth?](#)
- [How will landing on Mars work?](#)
- [How Rocket Engines Work](#)
- [How Space Stations Work](#)
- [How SpaceShipOne Works](#)
- [Will humans be living in space in the next 50 years?](#)
- [How Space Shuttles Work](#)
- [How the Orion CEV Will Work](#)

More Great Links

- [SpaceX.com](#)
- [SolarCity.com](#)
- [X PRIZE Foundation](#)
- [NASA](#)

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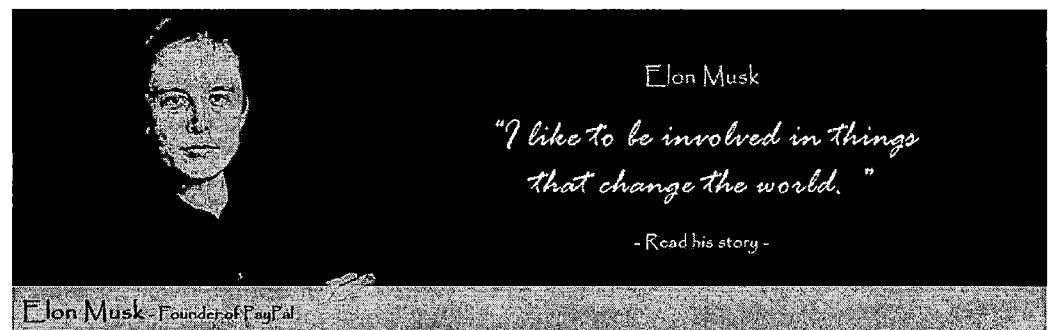
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The Wired Entrepreneur: The Early Years of Elon Musk



The Wired Entrepreneur: The Early Years of Elon Musk

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"I didn't really expect to make any money," he says of his first venture. "If I could make enough to cover the rent and buy some food that would be fine. As it turns out, it turned out to be quite valuable in the end."

He might have dropped out of Stanford University after just two days, but Elon Musk was no slouch when it came to learning. He just wanted to do things his own way. Indeed, Musk moved all the way from his hometown in South Africa to pursue his ideas on cutting edge technology in North America. The first company he founded, Zip2, would be sold to Compaq for \$307 million in cash. His second company, PayPal, was not only later sold to eBay for \$1.5 billion, but it changed the way the world does business online. Now, Musk is turning his attention to the skies, producing space launch vehicles with his new company SpaceX. This is one entrepreneur who puts no limits on his dreams.

Those dreams began on June 28, 1971 in South Africa. Born to a South African engineer father and a Canadian dietician mother, Musk's father had a strong impact on the young boy's life. He inspired Musk's love of technology. When Musk was just ten years old, he bought himself his first computer. Not knowing anything about computers to begin with, Musk taught himself how to program. Just two years later, he had created a space game called Blaster, and was selling it commercially.

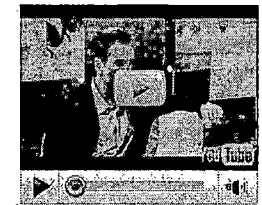
When Musk was 17 years old, he graduated from Pretoria Boys High and decided to leave home against his parents' wishes. He did not want to take part in the South African military's compulsory service. "I don't have an issue with serving in the military per se," says Musk, "but serving in the South African army suppressing black people just didn't seem like a really good way to spend time."

Musk decided to make North America his next home. "I think South Africa is a great country," he says. However, "if you wanted to be close to the cutting edge, particularly in technology, you came to North America." Musk first made his way to Queen's University in Kingston, Ontario. Even with working part-time jobs, Musk found he was barely making ends meet, living on just \$1 a day. His fate would soon change, however, when he was awarded a prestigious scholarship to the University of Pennsylvania's Wharton School of Business. "Tuition costs are outrageous," he recalls. "Fortunately, they gave me a scholarship...so I only had to cover living expenses, books, etc., by working."

Musk graduated from Wharton with a bachelor's degree in economics. He decided to stay in Pennsylvania for another year to complete a second bachelor's degree in physics. At that point, Musk was not quite sure what he wanted to do with his life, but he knew there were three "important problems" that he wanted to get into: "One was the Internet, one was clean energy and one was space."

In 1995, Musk was accepted into a high energy physics graduate program at Stanford University. After just two days, he decided it was not for him and dropped out. He had an idea for a company and he figured a graduate degree would not get him any closer to achieving his goals.

ENTREPRENEUR VIDEO
Elon Musk Video - Here's a short interview done by Wired Science. Elon Musk talks about future models of the Tesla Sports Car. Model 2 will be a 4 door sedan with a price tag around \$49,000.00 Model 3 will have a price tag around \$30,000.00 He also talks about another company he's involved in, SpaceX.com



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PAYPAL INC

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Industry	Computer Services
Sector	Technology

1997. Mr. Pearson received a B.A. in History from the University of California, Berkeley in 1987 and an M.B.A. from the London Business School in 1998.

Sandeep Lal has served as our Senior Vice President of International since June 2001. Mr. Lal joined PayPal in March 2000 and served in a variety of positions, most recently as Senior Vice President of Customer Service and Operations. Previously, Mr. Lal worked in a number of roles at Citibank, N.A., which he joined in 1982. Most recently, Mr. Lal led trading and financial market operations for 12 countries in Asia from November 1996 to February 2000. Mr. Lal also led the derivatives operations for Citibank's New York office from 1995 to November 1996. Previously, Mr. Lal headed Citibank's retail banking operations and customer service group in Japan. Mr. Lal received a B.A. in Economics from Delhi University in 1978 and an M.B.A. from the University of Michigan in 1981.

John D. Muller has served as our General Counsel since October 2000. Prior to joining PayPal, Mr. Muller was a partner at the law firm of Brobeck, Phleger & Harrison, specializing in finance and regulatory compliance, from March 1996 to October 2000. Previously, Mr. Muller practiced law at Shawmut National Corporation, a multi-state bank holding company, and at the law firm of Gibson, Dunn & Crutcher. Mr. Muller serves as the Co-Chair of the American Bar Association Joint Subcommittee on Electronic Financial Services and served as the chair of the California Bar Association Financial Institutions Committee from October 1999 to September 2000. Mr. Muller received a B.A. in English from the University of Virginia in 1983 and a J.D. from Harvard Law School in 1986.

Board of Directors

Timothy M. Hurd has served as a director since March 2000. Mr. Hurd has worked as a managing director at Madison Dearborn Partners since January 2000. Since joining Madison Dearborn in September 1996, Mr. Hurd has concentrated on investments in the financial services sector. Previously, Mr. Hurd worked as an investment banker at Goldman, Sachs & Co. Mr. Hurd received a B.A. from the University of Michigan in 1992 and an M.B.A. from Harvard Business School in 1996.

John A. Malloy has served as a director since March 2000. Mr. Malloy served as a director of Confinity, Inc. from June 1999 to March 2000. Mr. Malloy has worked as a partner at Nokia Ventures Fund since its formation in December 1998 and in business development for Nokia Americas from June 1996 to December 1998. Previously, Mr. Malloy co-founded GO Communications, a PCS start-up company. Earlier, Mr. Malloy held a variety of legal and marketing positions with MCI. Mr. Malloy received a B.A. from Boston College in 1981 and a J.D. from George Mason University School of Law in 1984.

Shailesh J. Mehta has served as a director since February 2001. Mr. Mehta has served as the CEO of Providian Financial Corporation since 1989 and as the chairman of the board of directors of Providian Financial Corporation since May 1988. Mr. Mehta joined Providian in 1986. Previously, Mr. Mehta was an executive vice president of Ameritrust Corporation, now known as KeyCorp. Mr. Mehta received a B.S. in Mechanical Engineering from the Indian Institute of Technology in 1971, and an M.S. and Ph.D. in Operations Research and Computer Science from Case Western Reserve in 1973 and 1975, respectively.

Michael J. Moritz has served as a director since August 1999. Mr. Moritz has worked as a partner at Sequoia Capital since 1986, and has focused on consumer services and information technology investments. Mr. Moritz also serves on the boards of directors of Flextronics, Saba Software and Yahoo!. Mr. Moritz received an M.A. from Oxford in 1976.

Elon R. Musk has served as a director since March 1999. Mr. Musk founded X.com Corporation in March 1999, which merged with Confinity, Inc. in March 2000. Mr. Musk served as the CEO of X.com from March 1999 to December 1999 and as the CEO of PayPal from May 2000 to September 2000.

Mr. Musk co-founded Zip2 Corp. in 1995 where he worked in a number of roles including Chairman, CEO and CTO from 1995 to February 1999. Mr. Musk received a B.S. in Physics from the University of Pennsylvania and a B.S. in Economics from The Wharton School of the University of Pennsylvania in 1995.

Board Composition

Our board of directors currently consists of seven members. All directors hold office until their successors have been elected and qualified or until their earlier death, resignation, disqualification or removal. Effective upon closing of this offering, we will divide the terms of office of the directors into three classes:

Class I, whose term will expire at the annual meeting of stockholders to be held in 2002;

Class II, whose term will expire at the annual meeting of stockholders to be held in 2003; and

Class III, whose term will expire at the annual meeting of stockholders to be held in 2004.

Upon the closing of this offering, Class I shall consist of and ; Class II shall consist of and ; and Class III shall consist of and . At each annual meeting of stockholders after the initial classification or special meeting in lieu thereof, the successors to directors whose terms will then expire serve from the time of election and qualification until the third annual meeting following election or special meeting held in lieu thereof and until their successors are duly elected and qualified. In addition, a resolution of the board of directors or affirmative vote of the holders of at least $66 \frac{2}{3} \%$ of the Company's outstanding voting stock may change the authorized number of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of our company.

There are no family relationships among any of our directors, executive officers or key employees.

Board Committees

Our board of directors has an audit committee and a compensation committee.

Audit committee. The audit committee of our board of directors recommends the appointment of our independent auditors, reviews our internal accounting procedures and financial statements and consults with and reviews the services provided by our internal and independent auditors, including the results and scope of their audit. The audit committee currently consists of Messrs. , and .

Compensation committee. The compensation committee of our board of directors reviews and recommends to the board the compensation and benefits of all of our executive officers, administers our stock option plans and establishes and reviews general policies relating to compensation and benefits of our employees. The compensation committee currently consists of Messrs. , and .

56

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee at any time has been one of our officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee. Our full board of directors made all compensation decisions prior to the creation of our compensation committee.

Director Compensation

Our directors do not receive any cash compensation for their services as directors or members of committees of the board of directors, but we reimburse them for their reasonable expenses incurred in attending meetings of the board of directors. Our directors may participate in our stock option plans and employee-directors may participate in our employee stock purchase plan.

Executive Compensation

The following table sets forth all compensation paid by us during the fiscal year ended December 31, 2000 to (i) our Chief Executive Officer and (ii) our four most highly compensated officers whose total annual salary and bonus exceeded \$100,000 for the fiscal year ended December 31, 2000. It also includes two individuals who acted as CEO during the year ended December 31, 2000 and one individual who would have been one of the most highly compensated except that he was not serving as an executive officer as of December 31, 2000. We refer to these executives as the named executive officers elsewhere in this prospectus.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation
		Salary	Other Compensation	Securities Underlying Options	
Peter A. Thiel, Chief Executive Officer and President (1)	2000	\$ 147,084	—	—	—
Max R. Levchin, Chief Technology Officer	2000	\$ 153,125	—	—	—

EXHIBIT 38

PAYPAL INC

FORM S-1/A (Securities Registration Statement)

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Sector	Technology

derivatives operations for Citibank's New York office from 1995 to November 1996. Previously, Mr. Lal headed Citibank's retail banking operations and customer service group in Japan. Mr. Lal received a B.A. in Economics from Delhi University in 1978 and an M.B.A. from the University of Michigan in 1981.

John D. Muller has served as our General Counsel since October 2000. Prior to joining PayPal, Mr. Muller was a partner at the law firm of Brobeck, Phleger & Harrison, specializing in finance and regulatory compliance, from March 1996 to October 2000. Previously, Mr. Muller practiced law at Shawmut National Corporation, a multi-state bank holding company, and at the law firm of Gibson, Dunn & Crutcher. Mr. Muller serves as the Co-Chair of the American Bar Association Joint Subcommittee on Electronic Financial Services and served as the chair of the California Bar Association Financial Institutions Committee from October 1999 to September 2000. Mr. Muller received a B.A. in English from the University of Virginia in 1983 and a J.D. from Harvard Law School in 1986.

Board of Directors

John C. Dean has served as a director since December 2001. Mr. Dean currently serves as chairman of the boards of directors of Silicon Valley Bancshares and Silicon Valley Bank. Mr. Dean served as chief executive officer of Silicon Valley Bank from 1993 until April 2001. Prior to joining Silicon Valley Bank, Mr. Dean was chief executive officer of Pacific First Bank, First Interstate Bank of Washington, First Interstate Bank of Oklahoma, and First Interstate System Inc. Mr. Dean is an advisor to or director of several U.S. and foreign venture capital firms and technology companies. Mr. Dean received a B.A. in Economics from the College of The Holy Cross in 1969 and an M.B.A. from The Wharton School of the University of Pennsylvania in 1974.

Timothy M. Hurd has served as a director since March 2000. Mr. Hurd has worked as a managing director at Madison Dearborn Partners since January 2000. Since joining Madison Dearborn in September 1996, Mr. Hurd has concentrated on investments in the financial services sector. Previously, Mr. Hurd worked as an investment banker at Goldman, Sachs & Co. Mr. Hurd received a B.A. from the University of Michigan in 1992 and an M.B.A. from Harvard Business School in 1996.

John A. Malloy has served as a director since March 2000. Mr. Malloy served as a director of Confinity, Inc. from June 1999 to March 2000. Mr. Malloy has worked as a partner at Nokia Ventures Fund since its formation in December 1998 and in business development for Nokia Americas from June 1996 to December 1998. Previously, Mr. Malloy co-founded GO Communications, a PCS start-up company. Earlier, Mr. Malloy held a variety of legal and marketing positions with MCI. Mr. Malloy received a B.A. from Boston College in 1981 and a J.D. from George Mason University School of Law in 1984.

Shailesh J. Mehta has served as a director since February 2001. Mr. Mehta served as the CEO of Providian Financial Corporation from 1989 until November 2001 and served as the chairman of the board of directors of Providian Financial Corporation from May 1988 to October 2001. Mr. Mehta joined Providian in 1986. Previously, Mr. Mehta was an executive vice president of Ameritrust Corporation, now known as KeyCorp. Mr. Mehta received a B.S. in Mechanical Engineering from the Indian Institute of Technology in 1971, and an M.S. and Ph.D. in Operations Research and Computer Science from Case Western Reserve in 1973 and 1975, respectively.

Michael J. Moritz has served as a director since August 1999. Mr. Moritz has worked as a partner at Sequoia Capital since 1986 and also serves on the boards of directors of Flextronics, Saba Software and Yahoo!. Mr. Moritz received an M.A. from Oxford in 1976.

Elon R. Musk has served as a director since March 1999. Mr. Musk founded X.com Corporation in March 1999, which merged with Confinity, Inc. in March 2000. Mr. Musk served as the CEO of X.com

from March 1999 to December 1999 and as the CEO of PayPal from May 2000 to September 2000. Mr. Musk co-founded Zip2 Corp. in 1995 where he worked in a number of roles including Chairman, CEO and CTO from 1995 to February 1999. Mr. Musk received a B.S. in Physics from the University of Pennsylvania and a B.S. in Economics from The Wharton School of the University of Pennsylvania in 1995.

Several of our non-employee directors were initially appointed to the board of directors in connection with investments in PayPal by the entities they serve. Michael J. Moritz's appointment to the board of directors in August 1999 was a condition to the obligation of entities affiliated with Sequoia Capital to complete their investment in our Series A Preferred Stock; John A. Malloy's appointment to our board of directors in March 2000 was a condition to the obligation of Confinity, Inc. to complete their merger with us; Timothy M. Hurd's appointment to the board of directors in March 2000 was a condition to the obligation of various investors, including Madison Dearborn Partners, to complete their investment in our Series C Preferred Stock; and we agreed to appoint Shailesh J. Mehta to our board of directors in February 2001 as an inducement for Providian Bancorp Services to complete their investment in our Series D Preferred Stock and enter into the credit card alliance agreement with us. We have completed our obligations under these agreements by appointing these individuals to our board of directors. As a result, when each of Messrs. Moritz's, Malloy's, Hurd's and Mehta's term of office expires, or in the event of their resignation

or removal, we are not obligated to nominate or re-elect these individuals or any other representatives of their affiliated investors to our board of directors.

Board Composition

Our board of directors currently consists of seven members. All directors hold office until their successors have been elected and qualified or until their earlier death, resignation, disqualification or removal. Effective upon closing of this offering, we will divide the terms of office of the directors into three classes:

- Class I, whose term will expire at the annual meeting of stockholders to be held in 2003;
- Class II, whose term will expire at the annual meeting of stockholders to be held in 2004; and
- Class III, whose term will expire at the annual meeting of stockholders to be held in 2005.

Upon the closing of this offering, Class I shall consist of Timothy M. Hurd and Shailesh J. Mehta; Class II shall consist of John C. Dean, John A. Malloy and Michael J. Moritz; and Class III shall consist of Peter A. Thiel, Max R. Levchin and Elon R. Musk. At each annual meeting of stockholders after the initial classification or special meeting in lieu thereof, the successors to directors whose terms will then expire serve from the time of election and qualification until the third annual meeting following election or special meeting held in lieu thereof and until their successors are duly elected and qualified. In addition, a resolution of the board of directors or affirmative vote of the holders of at least 66 ²/₃ % of the company's outstanding voting stock may change the authorized number of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of our company.

There are no family relationships among any of our directors, executive officers or key employees.

Board Committees

Our board of directors has an audit committee and a compensation committee.

Audit committee. The audit committee of our board of directors recommends the appointment of our independent auditors, reviews our internal accounting procedures and financial statements and consults with and reviews the services provided by our internal and independent auditors, including the results and scope of their audit. The audit committee currently consists of Messrs. Mehta, Moritz and Musk.

Compensation committee. The compensation committee of our board of directors reviews and recommends to the board the compensation and benefits of all of our executive officers, administers our stock option plans and establishes and reviews general policies relating to compensation and benefits of our employees. The compensation committee currently consists of Messrs. Dean, Hurd and Malloy.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee at any time has been one of our officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee. Our full board of directors made all compensation decisions prior to the creation of our compensation committee.

Director Compensation

Our directors do not receive any cash compensation for their services as directors or members of committees of the board of directors, but we reimburse them for their reasonable expenses incurred in attending meetings of the board of directors. Our directors may participate in our stock option plans and employee-directors may participate in our employee stock purchase plan. In December 2001, we granted options to purchase 50,000 shares at \$6.00 per share to both Messrs. Mehta and Dean. In January 2002, we granted options to purchase 50,000 shares at \$12.00 per share to each of Messrs. Hurd, Malloy, Moritz and Musk. These option grants vest monthly over three years.

EXHIBIT 39

PAYPAL INC

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an Omaha-based IT consulting firm. Before that, Mr. Downs was a partner at Bartlit Beck Herman Palenchar & Scott of Denver, Colorado, where he specialized in complex commercial litigation. Mr. Downs earned a B.S. in Agricultural Sciences in 1991 from the University of Nebraska-Lincoln and a J.D. from Harvard Law School in 1994.

Todd R. Pearson has served as our Senior Vice President of Financial Services since December 2000. Mr. Pearson joined the company in January 2000 and served in a variety of positions, most recently as Vice President of Cards and Risk Policy. Mr. Pearson worked as a strategy consultant at Andersen Consulting from October 1998 to January 2000 and as a management consultant at Edgar, Dunn & Company in the U.S. and UK, focusing on the payments industry, from 1987 to September 1997. Mr. Pearson received a B.A. in History from the University of California, Berkeley in 1987 and an M.B.A. from the London Business School in 1998.

Sandeep Lal has served as our Senior Vice President of International since June 2001. Mr. Lal joined PayPal in March 2000 and served in a variety of positions, most recently as Senior Vice President of Customer Service and Operations. Previously, Mr. Lal worked in a number of roles at Citibank, N.A., which he joined in 1982. Most recently, Mr. Lal led trading and financial market

operations for 12 countries in Asia from November 1996 to February 2000. Mr. Lal also led the derivatives operations for Citibank's New York office from 1995 to November 1996. Previously, Mr. Lal headed Citibank's retail banking operations and customer service group in Japan. Mr. Lal received a B.A. in Economics from Delhi University in 1978 and an M.B.A. from the University of Michigan in 1981.

John D. Muller has served as our General Counsel since October 2000 and as our Secretary since December 2000. Prior to joining PayPal, Mr. Muller was a partner at the law firm of Brobeck, Phleger & Harrison, specializing in finance and regulatory compliance, from March 1996 to October 2000. Previously, Mr. Muller practiced law at Shawmut National Corporation, a multi-state bank holding company, and at the law firm of Gibson, Dunn & Crutcher. Mr. Muller serves as the Co-Chair of the American Bar Association Joint Subcommittee on Electronic Financial Services and served as the chair of the California Bar Association Financial Institutions Committee from October 1999 to September 2000. Mr. Muller received a B.A. in English from the University of Virginia in 1983 and a J.D. from Harvard Law School in 1986.

Board of Directors

John C. Dean has served as a director since December 2001. Mr. Dean currently serves as chairman of the boards of directors of Silicon Valley Bancshares and Silicon Valley Bank. Mr. Dean served as chief executive officer of Silicon Valley Bank from 1993 until April 2001. Prior to joining Silicon Valley Bank, Mr. Dean was chief executive officer of Pacific First Bank, First Interstate Bank of Washington, First Interstate Bank of Oklahoma, and First Interstate System Inc. Mr. Dean is an advisor to or director of several U.S. and foreign venture capital firms and technology companies. Mr. Dean received a B.A. in Economics from the College of The Holy Cross in 1969 and an M.B.A. from The Wharton School of the University of Pennsylvania in 1974.

Timothy M. Hurd has served as a director since March 2000. Mr. Hurd has worked as a managing director at Madison Dearborn Partners since January 2000. Since joining Madison Dearborn in September 1996, Mr. Hurd has concentrated on investments in the financial services sector. Previously, Mr. Hurd worked as an investment banker at Goldman, Sachs & Co. Mr. Hurd received a B.A. from the University of Michigan in 1992 and an M.B.A. from Harvard Business School in 1996.

John A. Malloy has served as a director since March 2000. Mr. Malloy served as a director of Confinity, Inc. from June 1999 to March 2000. Mr. Malloy has worked as a partner at Nokia Ventures Fund since its formation in December 1998 and in business development for Nokia Americas from June 1996 to December 1998. Previously, Mr. Malloy co-founded GO Communications, a PCS start-up company. Earlier, Mr. Malloy held a variety of legal and marketing positions with MCI. Mr. Malloy received a B.A. from Boston College in 1981 and a J.D. from George Mason University School of Law in 1984.

Shailesh J. Mehta has served as a director since February 2001. Mr. Mehta served as the CEO of Providian Financial Corporation from 1989 until November 2001 and served as the chairman of the board of directors of Providian Financial Corporation from May 1988 to October 2001. Mr. Mehta joined Providian in 1986. Previously, Mr. Mehta was an executive vice president of Ameritrust Corporation, now known as KeyCorp. Mr. Mehta received a B.S. in Mechanical Engineering from the Indian Institute of Technology in 1971, and an M.S. and Ph.D. in Operations Research and Computer Science from Case Western Reserve in 1973 and 1975, respectively.

Michael J. Moritz has served as a director since August 1999. Mr. Moritz has worked as a partner at Sequoia Capital since 1986 and also serves on the boards of directors of Flextronics, Saba Software and Yahoo!. Mr. Moritz received an M.A. from Oxford in 1976.

Elon R. Musk has served as a director since March 1999. Mr. Musk founded X.com Corporation in March 1999, which merged with

Confinity, Inc. in March 2000. Mr. Musk served as the CEO of X.com from March 1999 to December 1999 and as the CEO of PayPal from May 2000 to September 2000. Mr. Musk co-founded Zip2 Corp. in 1995 where he worked in a number of roles including Chairman, CEO and CTO from 1995 to February 1999. Mr. Musk received a B.S. in Physics from the University of Pennsylvania and a B.S. in Economics from The Wharton School of the University of Pennsylvania in 1995.

Several of our non-employee directors were initially appointed to the board of directors in connection with investments in PayPal by the entities they serve. Michael J. Moritz's appointment to the board of directors in August 1999 was a condition to the obligation of entities affiliated with Sequoia Capital to complete their investment in our Series A Preferred Stock; John A. Malloy's appointment to our board of directors in March 2000 was a condition to the obligation of Confinity, Inc. to complete their merger with us; Timothy M. Hurd's appointment to the board of directors in March 2000 was a condition to the obligation of various investors, including Madison Dearborn Partners, to complete their investment in our Series C Preferred Stock; and we agreed to appoint Shailesh J. Mehta to our board of directors in February 2001 as an inducement for Provident Bancorp Services to complete their investment in our Series D Preferred Stock and enter into the credit card alliance agreement with us. We have completed our obligations under these agreements by appointing these individuals to our board of directors. As a result, when each of Messrs. Moritz's, Malloy's, Hurd's and Mehta's term of office expires, or in the event of their resignation or removal, we are not obligated to nominate or re-elect these individuals or any other representatives of their affiliated investors to our board of directors.

Board Composition

Our board of directors currently consists of eight members. All directors hold office until their successors have been elected and qualified or until their earlier death, resignation, disqualification or removal. We have divided the terms of office of the directors into three classes:

- Class I, whose term will expire at the annual meeting of stockholders to be held in 2003;
- Class II, whose term will expire at the annual meeting of stockholders to be held in 2004; and
- Class III, whose term will expire at the annual meeting of stockholders to be held in 2005.

Class I consists of Timothy M. Hurd and Shailesh J. Mehta; Class II consists of John C. Dean, John A. Malloy and Michael J. Moritz; and Class III consists of Peter A. Thiel, Max R. Levchin and Elon R. Musk. At each annual meeting of stockholders, the successors to directors whose terms will then expire serve from the time of election and qualification until the third annual meeting following election or special meeting held in lieu thereof and until their successors are duly elected and qualified. In addition, a resolution of the board of directors or affirmative vote of the holders of at least $66 \frac{2}{3} \%$ of the company's outstanding voting stock may change the authorized number of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of our company.

There are no family relationships among any of our directors, executive officers or key employees.

Board Committees

Our board of directors has an audit committee, compensation committee and a nominating committee.

Audit committee. The audit committee of our board of directors recommends the appointment of our independent auditors, reviews our internal accounting procedures and financial statements and consults with and reviews the services provided by our internal and independent auditors, including the results and scope of their audit. The audit committee currently consists of Messrs. Mehta, Moritz and Musk.

Compensation committee. The compensation committee of our board of directors reviews and recommends to the board the compensation and benefits of all of our executive officers, administers our stock option plans and establishes and reviews general policies relating to compensation and benefits of our employees. The compensation committee currently consists of Messrs. Dean, Hurd and Malloy.

Nominating committee. The nominating committee of our board of directors identifies appropriate candidates for nomination to membership on our board of directors. The nominating committee currently consists of Messrs. Levchin, Moritz and Thiel.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee at any time has been one of our officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee. Our full board of directors made all compensation

decisions prior to the creation of our compensation committee.

Director Compensation

Our directors do not receive any cash compensation for their services as directors or members of committees of the board of directors, but we reimburse them for their reasonable expenses incurred in attending meetings of the board of directors. Our directors may participate in our stock option plans and employee-directors may participate in our employee stock purchase plan. In December 2001, we granted options to purchase 50,000 shares at \$6.00 per share to both Messrs. Mehta and Dean. In January 2002, we granted options to purchase 50,000 shares at \$12.00 per share to each of Messrs. Hurd, Malloy, Moritz and Musk. These option grants vest monthly over three years.

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Executive Compensation

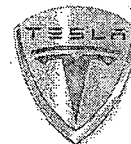
The following table sets forth all compensation paid by us during the fiscal years ended December 31, 2000 and 2001 to (i) our Chief Executive Officer and (ii) our four most highly compensated officers whose total annual salary and bonus exceeded \$100,000 for the fiscal years ended December 31, 2000 and 2001. It also includes two individuals who acted as CEO during the year ended December 31, 2000 and one individual who would have been one of the most highly compensated except that he was not serving as an executive officer as of December 31, 2000. We refer to these executives as the named executive officers elsewhere in this prospectus.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		All Other Compensation
		Salary	Bonus	Restricted Stock Awards(7)(8)	Securities Underlying Options	
Peter A. Thiel	2000	\$ 147,084	—	—	—	—
Chief Executive Officer and President	2001	\$ 208,333	—	\$ 0	—	—
(1)						
Max R. Levchin	2000	\$ 153,125	—	—	—	—
Chief Technology Officer	2001	\$ 178,167	—	—	450,000	—
David O. Sacks	2001	\$ 160,000	\$ 10,000	—	—	—
Chief Operating Officer						
Reid G. Hoffman	2000	\$ 147,694	—	—	353,614	—
Executive Vice President(2)	2001	\$ 159,000	\$ 10,000	—	300,000	—
Roelof F. Botha	2001	\$ 162,612	—	—	25,000	—
Chief Financial Officer						
Todd R. Pearson	2000	\$ 110,493	\$ 35,000	—	75,000	—
Senior Vice President, Financial Services(3)	2001	\$ 147,001	—	—	25,000	—
Bill H. Harris	2000	\$ 78,125	—	—	—	—
former Chief Executive Officer(4)						
Elon R. Musk	2000	\$ 163,825	—	—	—	—
former Chief Executive Officer(5)						
H. David Johnson	2000	\$ 153,594	—	—	—	—
former Chief Financial Officer(6)	2001	\$ 100,818	—	—	—	\$ 75,000

- (1) Mr. Thiel has served as our Chief Executive Officer and President since September 2000.
- (2) Mr. Hoffman's options granted in 2001 were cancelled in connection with his participation in the liquidity program described in "Certain Relationships and Related Party Transactions—Other Transactions."
- (3) Mr. Pearson received a hiring bonus of \$35,000 in 2000 and receives an annual medical allowance of \$6,000.
- (4) Mr. Harris served as our Chief Executive Officer from December 1999 to May 2000.
- (5) Mr. Musk served as our Chief Executive Officer from May 2000 through September 2000.
- (6) Mr. Johnson served as our Senior Vice President of Financial Services from March 2000 to August 2000 and Chief Financial Officer from August 2000 to August 2001, and received a payment of \$75,000 in connection with his termination of employment.
- (7) We issued 1,125,000 shares of restricted stock to Mr. Thiel in 2001. Mr. Thiel's shares will be released from our repurchase option in equal amounts over the 48 month period beginning January 1, 2001. We have the right to repurchase Mr. Thiel's unvested shares in the event of termination of Mr. Thiel's employment.
- (8) The total number of restricted shares, including shares held as a result of early exercise of options, held by each named executive officer and subject to our repurchase option as of the end of the 2001 fiscal year, and the aggregate value of those shares at such time less any consideration paid for them, was as follows: Mr. Thiel, 1,221,076 shares valued at \$6,324,609; Mr. Levchin, 822,138 shares valued at \$4,392,084; Mr. Sacks, 222,619 shares valued at \$1,149,962; Mr. Hoffman, 14,733 shares valued at \$84,025; Mr. Botha, 36,984 shares valued at \$177,524; and Mr. Pearson, 67,189 shares valued at \$322,508.

EXHIBIT 40



January 17, 2007

Martin Eberhard
620 Oak Crest Drive
Sierra Madre, CA 91024

Dear Martin,

As an early investor in Tesla Motors, you have earned the opportunity to order one of the very first Tesla Roadsters designated as the Founder's Series. Founder's Series is a short pilot production run of vehicles that precedes the Signature One Hundred. At this time, we want to communicate your car's production number. You will be receiving:

Founder's Series Production Number: 2

Please accept the enclosed certificate as a token of our appreciation for your commitment to the Tesla Roadster and to Tesla Motors.

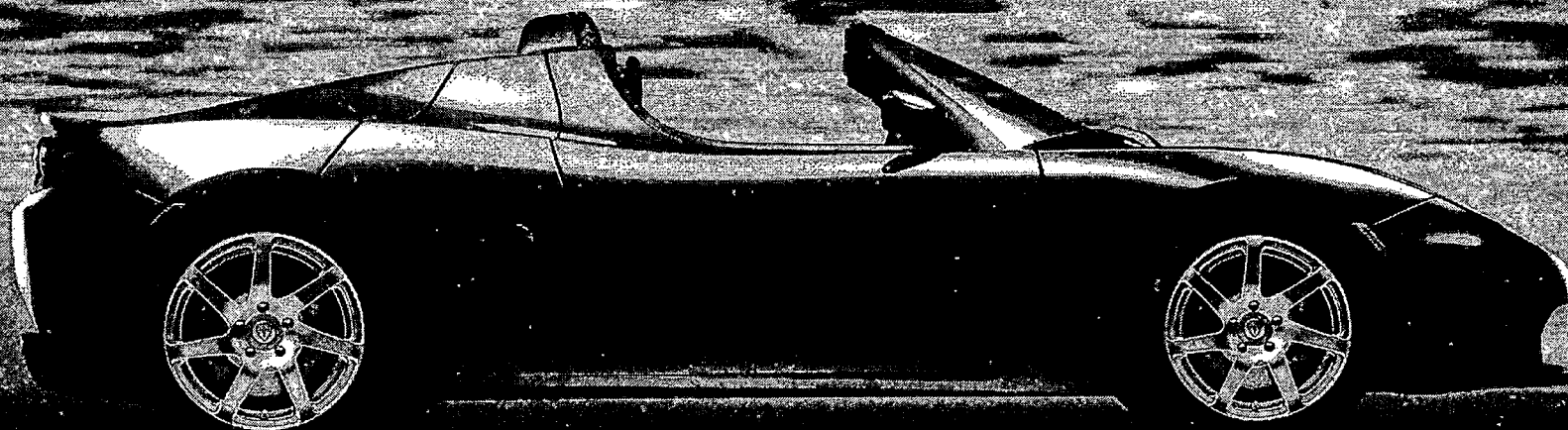
Best regards,

A handwritten signature in black ink, appearing to read 'Martin Eberhard', with a long horizontal flourish underneath.

Martin Eberhard
CEO



TESLA MOTORS



Tesla Motors Hereby Certifies That

Martin Eberhard

Has Reserved

The World's First High-Performance Production Electric Sportscar

Tesla Roadster

Founder's Series

Vehicle Production Number F00002

A stylized, handwritten signature of Martin Eberhard in dark ink, positioned above a horizontal line.

Martin Eberhard, CEO

A stylized, handwritten signature of Elon Musk in dark ink, positioned above a horizontal line.

Elon Musk, Chairman